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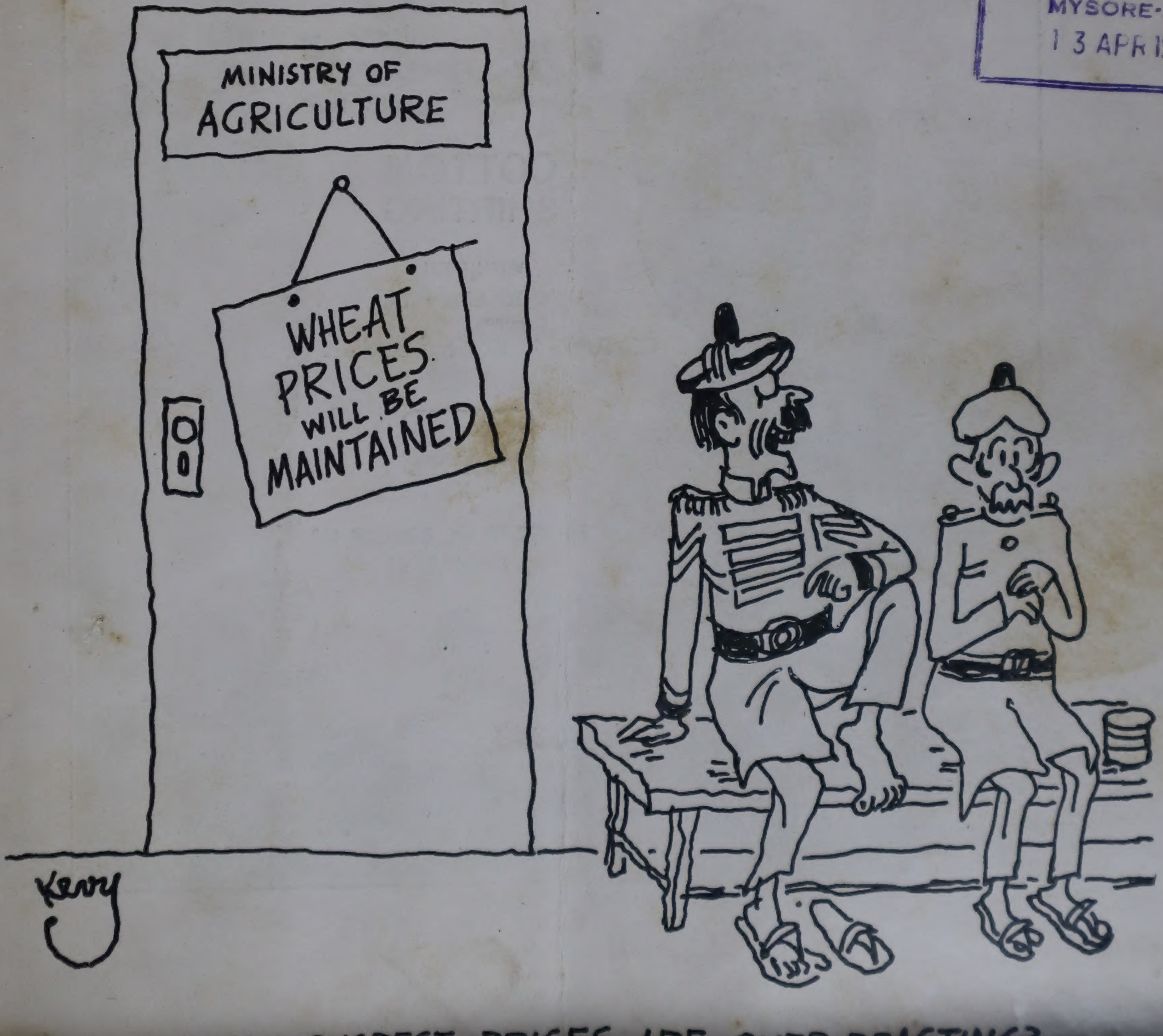
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VOL. 66 NO. 14 APRIL 2, 1976
Price Rupees Two

Leading Articles

Beyond the Budget 695
Rationalising Lending Rates 696
Prospects for Jute Industry 697
Battered Buses 699

Capital's Corridors 701

Point of View

Koopmans' Contribution to Economics
—S. D. Chamola 703
Financial Institutions and Backward Areas—Dr. H.R. Machiraju 705

Window on the World

Where are the Euromarkets ?
—Jossleyn Hennessy 708
No Cheer on the Monetary Front
—E. B. Brook 710
Trends in UK Manufacturing—BIS 711

Books Briefly

Population Explosion and Its Consequences—Academicus 713
Books Received 719

Trade Winds

Increased Industrial Production; European Currencies; U.P. Budget; IDBI; Inter-Bank Call Rates; Ceiling on Term Loans; Car Prices; Margins on Sterling Sales; Indo-US Trade; World Trade; National Permits; NPCC; Fertiliser Output; Drug Price Revision; India-Upper Volta Co-operation; Engineering Exports 720-723

Company Affairs

Bharat Commerce; Century; Premier Cable; Indian Cable; Aruna Sugars; Camphor and Allied Products; Bayer India; Atul Products; Polymers Corporation; News and Notes; New Issues; Dividends; Licences and Letters of Intent 724-729

Records and Statistics

Decline in World Trade in 1975 730

Beyond the budget

WHAT IS really significant in the general welcome which has been extended to the
budget this time is not so much the babel of sectional satisfactions which have
the specific reliefs and concessions—or incentives, if you please—as the wide acce
of its philosophy and directions by those who would like to see the national ec
resume orderly growth. An impressive virtue of this budget no doubt is its bo
to substitute sweet reasonableness for superstition in the practice of direct ta
Its claim to greatness, however, is that it has not stopped there but has procee
make some truly meaningful decisions of economic policy or management whi
so clearly tailored to the current or immediately prospective needs and purposes
economy.

Building on the government's success in disciplining inflation the Finance m
has initiated a carefully controlled process of reflating the economy and putting
the mould and mood for solid expansion. Mr Subramaniam has always been
vinced and consistent believer in increasing levels of public investment as the
mover of growth. Given the philosophy and politics of development adopted
country, this is a credible as well as a respectable position. Fortunately for the Fi
minister the objective conditions of the economy—signalized by a comfortable s
position with regard to food, wage goods and what are familiarly described as ess
commodities and the wide prevalence of unutilized capacities in industry which
quickly respond to some stimulation of demand—have made it possible for him to
energetically on the broad revenue base built up for the public exchequer over the
and inject the resources thus mobilized into deepening and widening channels of
investment. Enthusiastic as he is about this process he has nevertheless bee
passionate enough to grant that the high levels of public investment projected
budget could run the risk of reviving inflation if the funds are not efficient
properly utilized. In his reply to the budget debate in the two houses of parliam
has thus placed comforting emphasis on the need for the sound implementati
the high intentions of the investment programmes of the budget.

In a talk to economic journalists in the capital Mr Subramaniam has said
is not unlikely that prices will rise to some extent and that he himself would rega
annual rate of increase of five per cent as acceptable. This is wisdom. Relative ch
in individual and sectoral prices as well as constructive response of the general
level to incomes and investment processes in the economy must be regarded as h
consequences of flexible and realistic production objectives and pricing policie
Subramaniam is also looking forward to substantially higher rates of industrial g
in the budget year and the next. Having struck one blow already in a good cau
should feel encouraged to strike more in the months to come. The indifferent
of the capital market should be a challenge to him to work out and act on mea
needed to revive investors' faith in what is called the cult of equity. The prev
monetary policy or interest rate structure is hardly helpful and here is one gre
of the economic landscape which calls for and would richly repay skilful husbandry.

There is a nagging feeling in the business community that, while the Fi
minister's enthusiasm for higher levels of Plan outlays is admirable, his concern
creases in the levels of investment in the private sector perhaps leaves something
desired. Mr Subramaniam no doubt realizes that, although public expendit
self would release both investible resources and purchasing power into the priva
tor, additional measures will be required to step up activity in the private sector to
which could complement and sustain the higher rates of economic activity projec

programmes. In other words, it is h if the financial claims of the estment projections are taken care rresponding needs of investment uction activities in the private uld be catered for. There is a view Finance minister has not given orm or liberalization of corpor- on the priority it deserves in the he importance of augmenting the resources available in the corporate sector. It should at least be possible for him to help the wheels of industry spin faster by further realignments of the monetary mechanism. Progress in this direction, besides helping to realize the Finance minister's expectation of a rise in the annual rate of growth of industry to 10 per cent, may also contribute towards the resurgence of the capital market which is so relevant to the growth of savings and investment.

tionalising lending rates

ING the observations of Mr K.R. overnor of the Reserve Bank of hat the spread between average rates on deposits and average rates on advances was unusually nd the efficiency of the banking should be improved, it has been that there should be a ceiling of r cent on all advances excepting ies coming under selective control.

ttempt also can be made to derive income by levying penal rates and service charges. It had been hoped e Reserve Bank governor, in con- on with the chief executives of major would decide on a more effective lisation of the structure of inte- ates on advances without disturb- e rates on deposits. It had even xpected that the Reserve Bank be prepared to beat a retreat from money and lower the bank rate by per cent. This move, if adopted, not have necessitated the revision osit rates as these were not raised ly when the bank rate was jacked 2 to 9 per cent in July 1974.

marginal rise

borrowing programme of the central ate governments and public bodies re not designed to reflect the impact gher bank rate and the interest rates v loans were only marginally raised. has even been an attempt laterly ust the yields in a way that borrowing in the form of medium dated loans is not costly. There is also a scramble for long-dated securities in the hope that a retreat from dear money would result in an appreciation in the market value of these securities.

usurious rates

These features of the present structure of interest rates have been cited only to show that there has been no integrated approach to the whole question and with the removal of the ceiling on lending rates in January 1971, there was even a tendency on the part of banks to soak the borrowers with 'usurious' rates. Even the governor of the Reserve Bank has pointed out that more than 15 per cent of the aggragate advances of scheduled commercial banks bear interest rates higher than the proposed ceiling of 16.5 per cent.

The case for a lowering of the bank rate rests on these premises. The lender of the last resort has to make available huge sums to member banks for financing procurement operations and the differentials that have to be charged after obtaining discretionary accommodation from the Reserve Bank are not such as to enable member banks to earn reasonable profit margins. The penal rate charges sometimes are heavy and with statutory liquidity and cash reserve ratios the disposition has been to generate larger incomes through the lending of funds to borrowers in the non-priority sectors by charging high rates, penalties and service charges. In this process, the spread between average lending rates and average deposit rates has increased to over seven per cent. This was less than 4½ per cent when there was a ceiling of 9.5 per cent on lending rates up to January 1971.

liquidity ratio

The central and state governments and public bodies are obviously keen that the high liquidity ratio should be retained as, on the basis of additions to deposits of Rs 2,000 crores annually, the scheduled commercial banks alone will be compelled to invest Rs 600 crores yearly in government and approved securities. The higher cash reserve ratio also affords a larger area for manoeuvre by the Reserve Bank as minimum cash balances of member banks with the former have been around Rs 600 crores in the past several months. When it has been recognised that the refinance facilities of the Reserve Bank have been needlessly costly and borrowings by member banks have been mainly for financing procurement operations, it is not clear why there has been no attempt to streamline refinance facilities and lower also the cash reserve ratio.

The release of cash balances of over Rs 130 crores by lowering the ratio to three per cent from four per cent would enable banks to invest additionally Rs 45 crores in government and approved securities and secure an interest income which would be higher by at least 1½ to 2 per cent on the invested portion of released cash balances. The remaining Rs 85 crores could be profitably lent at an average rate of 14 per cent. A weighted average of nine per cent return on Rs 130 crores would give the banks an additional income of five per cent on Rs. 130 crores or Rs 6.5 crores. The burden of lending on a concessional basis to the weaker sections of society is also being felt more heavily with an increase in the proportion of outstanding credit in respect of borrowers in the priority sectors.

The lending rates charged, however, will not involve a heavy subsidy and sizable provisions out of profits for writing off bad debts if the amounts lent were applied for the intended purposes and there were no undesirable practices. The Reserve Bank governor has naturally emphasised the need for paying greater attention to the requirements of weaker borrowers and stated that bankers should approach their problems with constructive thinking and not merely be content with pursuing old techniques of commercial banking. The borrowers in the weaker sections of society are not really keen on low interest rates. This is because they are accustomed to borrowing on an usurious basis from indigenous money-lenders and they would feel immensely happy if interest rates were between 10 and 14 per cent, and the loans could be reasonably scheduled for repayment on the basis of the amounts and purposes involved.

experimentation

There is truly a case for examining how nearly 20 per cent of the outstanding amount of over Rs 10,000 crores in respect of advances of scheduled commercial banks has been utilised and what is the proportion of sticky advances to the total and why things have gone wrong. In a period of experimentation, many mistakes are likely to have been committed and the writing-off of bad debts in some cases cannot have a frightening effect. This does not, however, mean that the depositors' interest should not be more carefully safeguarded and greater care exercised in extending all categories of advances.

While this exercise will be helpful in raising the credit-deposit ratio in the rural and semi-urban areas and preventing an efflux of funds from the country-side to urban areas, it is also important that there should not be any under-utilisation of man-power in the banking sector. It will then be possible to ensure greater velocity of available funds. The banking system can certainly operate with a differential of 4½ per cent over the average interest rates on deposits which may vary in the case of individual banks having regard to the proportion of demand liabilities to total liabilities. But with a better administration of the Bill Market Scheme, greater attention to collections, unnecessary locking of funds in inventories and stricter supervision over repayments, the major banks can earn sizable profits even with a ceiling on advance rate at 14 per cent.

It is rather unfortunate that the high interest rates now proposed to be charged are considered reasonable when there is ample evidence to suggest that the industrial units having large turnovers have been obliged to pay heavy interest charges due to increases in prices for raw materials and components. In some cases, the net profit after depreciation and interest charges has declined by 30 to 50 per cent in the latest accounting period as compared to the previous simply because of a sharp rise in the burden of interest charges.

Actually, the gross profits before interest charges and after depreciation have
remained largely unchanged
earnings before taxation were consi
lower only due to heavier interest b
It is no use saying that interests
item of cost works out only to 3
cent of aggregate turnover when t
profits form not more than 6 t
cent where large turnovers are invol
heavy excise duties have to be pai
only to be hoped that as a result
deliberations of the special com
and the working group that are pr
to be appointed by the Reserve B
India and Indian Banks Assoc
rational decisions will be taken in
of the levy of penal rates and
charges and definite norms will b
for determining how lending rates
be charged in the light of the i
charges borne by the lending instit
in respect of their liabilities.

Prospects for jute industry

THE RECOMMENDATION of the Bose-Mullick committee that the jute industry has no case for effecting a cut in production has not come as a surprise. The Commerce ministry, of which Mr Bose Mullick is the secretary, had earlier rejected this proposal when the industry wanted a cut in production of only 10 to 15 per cent.

residual seller

The situation was allowed to drift with the result that when the Bose-Mullick committee was set up, the industry asked for a 25 per cent cut in production. The industry's case was based on the ground that its production should be planned according to demand and that, for a long time to come, India would remain only as a residual seller. The industry pointed out that regulation of production would help it to reduce the stocks and overcome the crisis in raw jute. This step was also expected to improve the industry's earnings of foreign exchange since, according to the Indian Jute Mills Association, "overseas buyers can surely afford to pay prices higher than those offered at distress sales".

These arguments do not seem to
impressed the Bose-Mullick comm
But how then is the government goi
ensure that the industry does not f
fibre famine in the coming months
had told the committee that by the e
May 1976 many mill godowns wou
practically empty. The govern
should see to it that the industry is as
of adequate quantities of fibre at
prices. In 1961-62 the minimum su
price for raw jute was Rs 80.38 per q
but now it is about Rs 175.65 per qu
The levy of the raw jute tax and the
tax has added to the cost. Purchases
the Jute Corporation on the basis of
to-back contract are also said to
raised the fibre prices. In 1974-7
corporation's jute was estimated to
cost the industry about Rs 212 per q
compared to Rs 173 which was the
of Assam Bottom at Calcutta.

bank finance

The Bose-Mullick committee
recommended that the mills shoul
given liberal bank finance. But it i
clear whether the committee has exan

ect in detail and made specific
s. On previous occasions also
ıstry had been assured by the
ce ministry, the Finance ministry
the Reserve Bank about the ade-
vailability of credit but this pro-
s not been properly implemented.
lustry had told the Bose-Mullick
tee that the bank margin should be
from 35 per cent to the level of
per cent, that banks should give
ns against blocks and that loans
also be given according to the
requirement of working capital.
ad also been made for enhancing
edit limits and for special and urgent
ration to the needs of weak mills.
w far will the banks be prepared to
e assistance on these lines?

basic need

Bose-Mullick committee is expected
nit shortly its second report dealing
he problems of modernisation of
research and other aspects. What-
ay be its recommendations in regard
se matters, the basic need is to create
ions to enable the industry to
e profitably and to sell its products
npetitive prices. The latest official
ics reveal that the total export
gs from jute goods in 1975-76 are
about Rs 240 crores against Rs 296
in the previous year. The estimate
76-77 is still lower at Rs 225 crores.
ding to provisional statistics, the
t of hessian declined from 252,000
s in 1974-75 to 245,000 tonnes in
76 and sacking from 132,000 tonnes
,000 tonnes. The export of carpet
ng went up from 119,000 tonnes to
00 tonnes but of other items fell
67,000 tonnes to 45,000 tonnes.
rms of quantity, the export of jute
s in 1975-76 is only about 510,000
s compared to 570,000 tonnes in
75. The industry expects that in
77 also the export will be only
d 510,000 tonnes, consisting of
00 tonnes of hessian, 70,000 tonnes
acking, 145,000 tonnes of carpet
ng and 45,000 tonnes of other pro-
. It is relevant to recall that in
the jute industry's exports had rea-
over nine lakh tonnes.

e government seems to think that, having abolished the export duties, the industry needs no more incentive. The industry had suggested that the cash assistance scheme, which has been given for carpet backing and speciality products, should be extended to hessian, cotton bagging and new woolpacking. But the central budget for 1976-77 has provided no such incentives. This is unfortunate because with the cash assistance it would have been possible for the industry to recover the lost markets for cotton bagging and woolpacks and increase the export of hessian.

The sharp increase in the internal demand for jute goods is an encouraging factor. It is estimated that the total internal consumption in 1975-76 will be around 650,000 tonnes, which is about 200,000 tonnes higher than in the preceding year. But it is necessary to ensure that the industry is able to secure a fair price for the sales made in the home market. The continuation of heavy excise duties at the rate of Rs 600 per tonne has been hindering the growth in demand for jute goods and is also promoting the trend in the larger consumption of old jute bags. Moreover, the industry has been incurring large losses on its sales to the Directorate-General of Supply and Disposals (DGSD). The purchase policy of the government also seems to be operating unfairly to the jute industry. As the IJMA recently remarked, "the latest policy adopted by the DGS&D is to refrain from buying for some time and then to call for a tender for small quantity but, eventually, it makes purchases in a big way in order to obtain the goods at lower price from the industry which is a distress seller".

The formation of the Jute Development Council is expected to give an impetus to research, modernisation and other aspects and thereby help to promote the prosperity of the industry. Modernisation of machinery has assumed urgency but this programme cannot be implemented merely by providing the industry with the necessary funds. It is also important that the industry should be able to rationalise its labour force and fix the appropriate work-load with a view to improving productivity. A study by the Reserve Bank has disclosed that labour cost in the jute industry accounts for about 54 and 25 per cent, respectively of the conversion cost and the total manufacturing cost compared to 33 and 15 per cent for all industries taken together. How will the development council ensure that the industry gets the active cooperation of its workers in reducing costs and raising productivity? As regards re-

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Eastern Economist 30 Years Ago

MARCH 29, 1946

A planned economy in which the state assumes responsibility for maintaining full employment and making adequate outlay to create effective demand, calls for a very radical revision of our prevailing budgetary practices and techniques. Ever since the depression of the thirties it is more or less universally accepted that when private outlay falls short, the state must step in and fill the vacuum. And it was in pursuance of this aim that deficit financing and pump-pressing on public works were resorted to by quite a number of countries. The war-time experience of total mobilisation of resources has again brought home very forcibly that the economic effects of large-scale public finance are, for good or ill, of crucial significance to the growth of income, employment and consumption and that the budget can be used as the instrument of planned direction and use of resources. While all this has been more or less accepted by most governments which stand committed to the policy of full employment, strangely enough the revision of the actual budgetary system has not kept pace with the progress of economic thought on the subject. With a few exceptions such as Sweden and Denmark, to which we shall allude presently, no country cared until the war broke out, to readjust its budgetary system so that it could subserve the aim of economic policy; and even the readjustment brought about during the war is so very partial.

search, the funds allotted for this purpose have been meagre. The new cess is expected to yield only about Rs 50 lakhs.

The Commerce ministry is reported to have expressed surprise and regret at the action of the industry in passing on to the consumers the cess which has been levied at the rate of Rs 6.30, Rs 4.50 and Rs 3.75 per tonne respectively of carpet backing, hessian and sacking. The industry and the government should settle this matter amicably. But the basic question is to what extent the government's policies particularly in regard to export incentives, credit, purchases by the DGSD, and labour relations will be conceived on realistic lines so as to help the industry to play its role effectively in the country's economy.

Battered buses

THE EMERGENCY has helped to improve efficiency and discipline in many fields but its impact is yet to be felt on the Calcutta State Transport Corporation. Consider, for instance, the following extract from an advertisement which appeared in Calcutta's newspapers on March 7, issued by Lt. Gen. B.N. Sarkar, the corporation's chairman: "But the most serious, debilitating and protracted of all our troubles has been the non-payment of fare. The assault by a section of the public on our conductors continues, and a passenger even went to the extent of biting one of our conductors for demanding the fare. Because of this physical violence or threat of violence, a large number of our conductors have been inhibited to ask for the fare as that appears to be the least troublesome course to adopt in a packed bus". It seems strange indeed that while ticketless travel has been substantially checked even in a huge organisation like the railways, the problem continues to persist acutely in the Calcutta State Transport Corporation.

public cooperation

The chairman appealed to the public for their help and cooperation to increase collections. Similar appeals have been made in the past by the minister for Transport and the predecessors of Lt. Gen. Sarkar. But there has been no adequate response from the public.

In this background, the report of the commission, appointed by the government of West Bengal to enquire into the working of the corporation, assumes considerable significance. The commission was set up in June 1974 under the chairmanship of Dr N. Das, ICS (Retd.), who is at present the vice-president of Hindustan Motors. Apart from his vast administrative experience, Dr Das is also a well-known author and has intimate knowledge of the transport problems and therefore was well qualified to take up this assignment. The two other members of the commission were Prof. B. Sen Gupta, a former director of the Indian Institute of Technology, Madras, and Prof. P. Chattopadhyay, director of Research, Institute of Cost and Works Accountants, Calcutta.

terms of reference

The commission's terms of reference were to review the performance of the corporation with special reference to capacity utilisation, quality of work and productivity; to examine the scope for reducing costs; and to make recommendations for improving operational efficiency. The commission has done a thorough and competent job and its comprehensive report of over 350 pages was submitted to the government on January 31 this year.

The commission has exposed several irregularities and inadequacies in the working of the corporation. Many of its buses are in a battered condition and there is hardly any maintenance worth the name. These and other deficiencies of the corporation are well known but even so the commission has
done well in drawing attent
them and stressing the need for
reform. It has rightly recom
that there should be no increase
and that large earnings should be
by improving efficiency. The sco
this is indeed considerable. For e
sizable savings will be possible by
ing a proper system of store-k
The commission has observed:
existing system of store-keeping is
tive in many important respects.
tion is virtually non-existent". Stor
not properly indexed, recorded or
separate bins or containers and is
is erratic and haphazard. Expensive
such as gear boxes and differential
are stored on the floor on the sp
ground that no other suitable sp
available. This type of 'storing' h
sulted, and continues to result, i
authorised removal of valuable it

large-scale absenteeism

The Commission has referred
"large-scale absenteeism and inc
line" on the part of workers and
apathy or reluctance" of the manag
to take stern action against delinq
It is hardly surprising therefore th
corporation is unable to provide re
ably efficient service to the public
commission has said that "the
incidence of breakdown of buses h
come almost a scandal" and that
indifference of the technical manag
in this matter is largely responsible f
present state of affairs."

The commission has made many
tructive suggestions to improve the
lity of the corporation and it is enco
ing to note that the government ha
ready implemented some of them.
example, the government dismisse
senior officers of the corporation
proven inefficiency soon after the r
of the commission was submitted. S
services have been introduced be
certain points. On some major ro
passengers now have to buy ticket
fore boarding the bus and steps have
taken to ensure that the inspecto
their job properly. The commissio
also made useful suggestions re

anisation of the central work- erials management, labour prob- ting press, and the appointment rman and the senior executives poration. One of the important ns relates to the introduction of night shifts in all the depots for out proper cleaning, main- and petty repairs. The com- has said that "unless the ion adopts a modern system of of work between the depots entral workshop and introduces night shifts for servicing and maintenance of all vehicles, ot be able to put more vehicles oad, improve upon the present ling or reduce the present idence of breakdowns." It has ssed on the importance of having a ost and management accounting It is hoped that the government rry out these recommendations ure that the corporation provides service to the public.

unconvincing plea

he commission's suggestion that ernment should offer an annual f Rs 150 lakhs to the corporation t seem to be convincing. The com- has justified this proposal on the that the corporation is compelled ate some uneconomic routes, that f its operations are hampered by ads and that, above all, it is a utility service. But will it not be ter to divert this amount to the maintenance of roads ? The ssion has estimated that the ution should be able to put e road 750 buses out of 1081 able buses and that the fare on should be an average of per day per bus. But, surely, the ation should be able to put far uses on the road and substantially nt the daily earnings by enforcing iscipline and improving efficiency levels.

ar as roads are concerned, it is me that the government took ic and systematic steps to im- them. Lt. Gen Sarkar has l out that due to excessive overloading and bad road conditions the corporation is having not only abnormal breakages of spring assemblies but even of chassis. In February alone, 60 chassis and 200 spring assemblies of its double decker buses were broken. He has observed that the congestion on Calcutta's streets does not allow buses even to travel in top gear which imposes severe strain on the engine, transmission and the brake system. In the last few months, some attempts have been made to repair the roads but, by and large, this job has been done indifferently. As a result, soon after repair the same roads have started to deteriorate. The main impediment to the efficient maintenance of roads seems to be not so much the paucity of funds as the absence of a well-conceived and integrated programme and its efficient implementation.

It is also important to reduce the congestion in the streets by removing unauthorised construction from the footpaths. From time to time, the government has made some attempts in this direction but these have not met with much success. The government should undertake this job in a planned manner so that hawkers and others who have been earning their livelihood on pavements will not be put to hardship. Similarly, steps should be taken to remove or reduce the congestion arising from the large number of slow-moving vehicles. It is estimated that there are over 35,000 of them including handcarts, animal drawn vehicles, cycle and push vans, hackney carriages and rickshaws. It is hardly surprising therefore that travel speeds in most parts of Calcutta remain as low as seven miles per hour. The government of West Bengal should tackle the transport problem in an intelligent and coordinated manner and, of course, with a sense of urgency. Meanwhile, the government should vigorously tone up the efficiency of the corporation on the lines recommended by the Das commission.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Capital's Corridors

R. C. Ummat

Procurement of rabi grains • Coal stocks • New railway construction company • R&D cess

THE CENTRAL government's acceptance of the recommendations of the Agricultural Prices Commission on the policy and procurement prices for the 1976-77 rabi marketing season, which was announced on March 25, did not come as any surprise. Enough indications were available during the last fortnight that in view of the encouraging trends of procurement of kharif grains, promising outlook for the current rabi crop, the present comfortable food supply position and the reductions effected since July last in the prices of fertilizers, the procurement prices for the ensuing rabi marketing season would be maintained at the last year's levels.

In consultation with the chief ministers and the Food ministers of the main wheat producing states, it has been decided that the procurement price of wheat of all varieties should be maintained at Rs 105 per quintal. The issue price of wheat stocks released from the central pool for the public distribution system has also been kept at the present level of Rs 125 per quintal. Coarse grains are procured at the support prices fixed for them.

Movement restrictions

In the interest of maximising the procurement of wheat, restrictions on the inter-state movement of this commodity are to be continued during the ensuing rabi marketing season. Each state is to be treated as a separate zone for the purposes of movement of wheat and wheat products, as during the last rabi marketing season. The mode of procurement—whether the purchases should be made in regulated markets or through a system of levy—is to be decided by the state government concerned. The marketing of wheat within a state is to be regulated by the state government through such administrative/statutory measures as may be considered necessary.

The target for the procurement of wheat has been fixed at 5.198 million tonnes. The incentive bonus scheme for supplies to the central pool is to be continued. The bonus amount is to be utilised by the state governments for providing fertilizer and other inputs to farmers.

Support operations

Apprehending a steep fall in the prices of barley and gram as a sequel to an excellent crop, it has been decided that the price support operations should be arranged for the purchase of these two foodgrains also as and when it becomes necessary. No procurement targets, of course, have been fixed in their case. In anticipation of large arrivals of barley and gram in the market out of the new crop, the prices of old stocks are said to have recorded a sizeable decline in the last few weeks. The government is anxious that the interests of farmers should be fully protected and in case the producers fail to get in the open market prices for the new crop of barley and gram corresponding to the support prices fixed by the government, all the offerings should be taken up by the governmental agencies.

The following are the targets ('000 tonnes) fixed for the procurement of wheat during 1976-77—Bihar 100, Gujarat 50, Haryana 500, Jammu and Kashmir 20, Madhya Pradesh 200, Maharashtra 100, Punjab 2,800, Rajasthan 200; Uttar Pradesh 1,200, others 30, all-India 5,200.

The procurement of wheat ('000 tonnes) in the various states during the 1975-76 rabi marketing season up to the end of February was of the following order—Bihar 52, Gujarat 17, Haryana 433, Jammu and Kashmir 19, Madhya Pradesh 137, Maharashtra 55, Punjab 2,361, Rajasthan 183, Uttar Pradesh 790; all-India, 4,047.

As the off-take of foodgrains from the public distribution system has gone down in the recent past, the procurement of 5.2 million tonnes of wheat, in addition to expected purchases of 5.3 million tonnes of rice and some quantities of coarse grains coupled with the sizeable imports of foodgrains effected during th
endar year—about 7.5 million
should enable building up of a
able buffer stock during the next
year. According to the repor
Agricultural Prices Commission
price policy for wheat during the
marketing season, the offtake
grains from the public distribut
tem went down from the peak
1.022 million tonnes in July and
last to 9.84 lakh tonnes in Se
8.09 lakh tonnes in October, 7
tonnes in November, 7.29 lakh to
December and 7.24 lakh tonnes
uary. Compared to the offtake
months in the earlier two years,
take this year has been sign
lower.

The Agricultural Prices Com
has very significantly pointed c
"with a substantial increase in the
kharif output and the promise of
ter rabi crop, the possibility of
prices of wheat tending to fall be
procurement price cannot be rule
The commission, therefore, has c
ed that the purchasing agencies sh
adequately geared up.

* *

The mounting stocks of coal
heads are stated to be posing a
serious problem for Coal India I
(CIL). Pithead stocks at the be
of this month aggregated to 10.
lion tonnes, represesting 32 days'
tion, as against 6.97 million ton
March 1, 1975, representing 25 da
duction. Although both Coal India
ed and the ministry of Energy
consider the present stocks as e
and derive comfort from them a
rance against the development
scarcity of coal in the country dur
next financial year, yet some anx
evident on their part about the co
tion of production at the current
Unless the stocks are shifted fro
mining areas to the consuming cen
there is a significant revival of
otherwise, it is feared that the
nance of production at the curren
will become a difficult proposition

Steps have already been initia
CIL for moving part of the accun
stocks to the consuming centres.
sions are understood to have take
in the past few days between CIL,
one hand, and power houses, stee
and certain other industries, on th
to see if the latter can lift larger
ties of coal. Some success has als
achieved in this regard. But th

being encountered appears to be ct of financing of stocks at the ng ends. Most of the bulk con- of coal, both in the private and ctors, are said to be experiencing d means problem due to the tight olicy. In fact, they are stated to g to CIL such a staggering amount) crores. These arrears are adverse- ing the ways and means position also.

ubt, with the stepping up of ther- ver generation during the current son of hydel power, the consump- coal by power houses should go ng the next three months and the of the third coke oven battery ro too should have a similar effect as coking coal is concerned, it is l whether the accumulated stocks et cleared to a substantial extent of the high tempo of production. therefore, are also being made to e consumption of soft coke, rais- despatches to the brick-burning /, encouraging substitution of oil etc.

possibilities of exporting coal too ng explored vigorously. Exports 1975-76 are said to have been of er of 3.5 lakh tonnes to Bangla- nd 0.8 lakh tonnes to Burma. 1976-77, efforts are envisaged to ade to export coal to the extent t 1.5 million tonnes.

gnificant development

very significant development in to exports is said to be the revival est of some west European coun- our non-coking coal. Japan too rstood to be planning to set up rge thermal power stations based ported high ash coal. The possi- of having some export order from on a long-term basis, therefore, ruled out. One major handicap he country is facing at present in to exports of coal is the inadequate ndling facilities. The situation, r, should improve very significant- the commissioning of the Haldia about October next.

the domestic demand for coal significantly or exports pick up, not be difficult to maintain the tempo of production. But since ne will show how far the above pectations materialise, some slow- wn of production may have to be Second thoughts are understood eing bestowed on whether the next coal production target should be t 111 million tonnes, which is warranted in terms of the programme of stepping up the output to 135 million tonnes by the end of the current Plan. A target of 111 million tonnes for the next year will mean raising of coal output by about 12 million tonnes, as against an increase of 10 million tonnes this year. A better strategy would be to continue with developmental efforts in terms of the overall current Plan's target so that adequate potential is created. The actual production may be regulated according to the annual requirements, aiming at a marginal surplus output so that the psychology of scarcity does not develop again.

* *

The minister for Railways, Mr Kamlapati Tripathi, indicated in Parliament last week, while replying to the debate on the 1976-77 railway budget, that the proposed Indian railway construction company, which would undertake construction of railway lines and projects both in India and abroad, would have an authorised share capital of Rs 10 crores. An initial investment of one crore of rupees in its equity was envisaged to be made during 1976-77. The company would start functioning as soon as it is formed under the administrative control of the ministry of Railways. It will take up works on contract basis. Besides constructing railway lines, it will set up units for the manufacture of rolling stocks and signalling equipment. It will also undertake electrification projects.

Mr Tripathi also revealed that the 90-year-old Railway Act was proposed to be amended soon in the light of the changed circumstances. The draft of the amending bill was almost ready.

The minister reiterated that the current year's revised deficit of Rs 63 crores in the railway finances would come down further because of the improvement in the working of his charge in the last three months. Freight loadings in January, February and March this year, he said, were expected to be three million tonnes more than anticipated while drawing up the revised estimate. This is understood to increase revenue earnings by about Rs 6 crores.

Referring to the conversion of narrow and metre gauge lines into broad gauge ones, Mr Tripathi asked the critics to realise that of the total length of 60,000 Kms of railway lines in the country, 50 per cent was metre and narrow gauge. The entire conversion work would need an investment of Rs 4,500 crores, which implies more than doubling of the present total investment of Rs 4,000 crores in the Indian railways. The process of conversion, he therefore argued, had to be phased out according to the finances available.

* *

The minister for Planning, Mr I. K. Gujral, revealed in the Lok Sabha this week that the government intended to levy a cess on industries under the provision of the Industries (Development and Regulation) Act, 1951, with a view to raising funds for research and development. The details of the scheme, he said, were being worked out and the necessary legislation was proposed to be introduced in Parliament soon.

Mr Gujral explained that very little was being provided at present by industry for research and development work in addition to the efforts of the government in this direction. That is why a compulsive action had been thought of. The minister for Planning promised to look into the issue of the mill-owners in the industries which are already subjected to an R & D cess, passing on the burden of the cess to consumers rather than bearing it themselves out of their profits.

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POINT OF VIEW

Koopmans' contribution to economics

S.D. Chamo

PROFESSOR TJALLING C. Koopmans of America's Yale University and Soviet Professor Leonid Kantorovich jointly won the Nobel Prize for Economics in 1975. The Royal Academy of Sciences, which selects the prize winners, in its citation said that "both men, working largely independent of each other, had renewed, generalised and developed methods for the analysis of the classical problem of economics as regards the optimum allocation of scarce resources". Regarding the contribution of the former it summed up that "Koopmans has shown that on the basis of certain criteria of efficiency, it is possible directly to make important deductions concerning optimum price systems".

Tjalling Koopmans has made fundamental contribution to modern quantitative economics. The main objective of the present article is to give a resume of the (1) methodological issues in quantitative economics, and (2) his main contribution to the three major areas of quantitative economics, namely, (a) the statistical identification and estimation of parameters in econometric models, (b) activity analysis, of which what is popularly known as linear programming is one aspect, and (c) intertemporal utility maximisation and the optimum allocation of resources over time.

quantitative economics

The main methodological issue involved in quantitative economics is regarding the superiority between two approaches —inductive approach and deductive approach. The former has been termed as "Keplers' stage" and the latter as "Newton stage" by Koopmans. In contrast to Keplers' approach, Koopmans is of the opinion that Newtonian approach is the right procedure of studying the problems of quantitative economics. According to this procedure, in order to understand the dynamic world, fuller utilisation of concepts and hypotheses of economic theory as a part of the processes of observation and measurement is the shorter and possible way. In defence of this approach he argues that without a theoretical framework, statistical data cannot be used efficiently. In fact, the empirical observations should support the economic theories and need not hunt for new hypotheses and models.

As against the Newtonian approach of Koopmans, Keplers' approach is based on empirical observations. In this approach the enquiry should proceed not on the basis of theoretical framework or deductions but new hypotheses and models should be framed on the basis of inferences from large scale data, sifting and scrutinising of facts in the past and at present irrespective of well established economic theories.

critics' argument

The supporters of this approach criticising Koopmans argue that:

(a) it is not desirable and necessary to seek a basis for economic dynamics in the anlysis of the economising behaviour of the individual agent. In other words, individual economic behaviour may not be in conformity with the behaviour of the society as a whole;

(b) economic behaviour cannot be studied strictly by a narrow mathematical form based on a theoretical model;

(c) social usefulness is not a relevant criterion in the evaluation of economic research and;

(d) the existing statistical inference theories are inadequate and of little help in hypothesis-seeking process.

Professor Koopmans answered this criticism point by point to establish the superiority of his approach:

(a) Regarding the contradiction in individual behaviour and aggregative behaviour, he argues that individual behaviour-characteristics will be logically equivalent to the group behaviour-characteristics if a theory is framed on the basis of the fact that the choices and actions of each individual are governed by the choices and actions of the group or society of which the individual is a constituent part.

(b Koopmans also answered the second criticism regarding the imposition of a naorrow mathematic form to explain the economic behavio
fending the use of mathematic
tions, he argues that on the basi
assumption of rationality of be
individual behaviour and decis
be measured numerically. Simila
case with regard to the behavi
decisions of a group. Since the
ship is between numerical entit
necessarily mathematical.

(c) Answering the criticism aga
approach that it lacks social use
Professor Koopmans says that a
knowledge which at present seems
of its usefulness to the society an
at present seems knowledge for
of knowledge may turn out t
greater usefulness and practical
The discovery which seems of n
use from a particular point of vi
particular set of preferences in mi
prove of great significance from
rent point of view with differe
of preferences.

(d) The criticism that his mathe
form is of little help in the pro
hypothesis-seeking is also unfo
He argues that choices betwee
native hypotheses can be mad
greater power of discrimination
basis of explicit mathematical fo
ion of these alternatives, in the f
probability models describing th
ration of the observations.

detailed discussion

So far we discussed the method
issues in quantitative economic
his strong defence of his approach
it remains to be seen as to what is
mans contribution in the three
branches of quantitative econo
given above. For the sake of
exposition of his contribution w
discuss them one by one.

Two steps are involved in making
cal inference from observations to
mic behaviour parameters. The
(1) inference from the observation
parameters of the assumed join
bution of the observation, and (2) i
from that distribution to the par
of the structural equations de
economic behaviour. The latter

ence is described by the term
ation problem".

structural equations which des-
economic behaviour may be
ed on the basis of theory as
n the basis of systematically
statistical data for the rele-
riables for a given period and
In other words, an economic
vill be more realistic if it is based
ctive and deductive approaches
rical data and theory based on
economic behaviour.

the problems

ding to Koopmans at least four
s arise while constructing such a

iven an assumed hypothesis, there
ay be several attractive hypo-
eses to be tested on this basis.
herefore, there is need of an ex-
nsion of current economic theory
itn regard to the testing of hypo-
eses, which is concerned mainly
ith choices between two alter-
atives;

certain specifications of a model
an be tested given all other speci-
cations, it is usually possible in
any different ways to choose
e set of other specifications which
not subject to test;

ometimes, on the basis of data,
om which the structural para-
eters are estimated, a particular
odel is chosen. In that case the
timated sampling variances of
ese estimated parameters do
ot have that direct relation to the
liability of the estimated para-
eters which they would have if the
timation were based on a model
which the validity is given with
rtainty;

n economic model is only an
pproximation of the real structure
the economy rather than true
plica of it. It is so because linea-
ty, time lags etc., assumed in such
model construction are only
pproximations. The lists of cur-
nt statistical theory are formu-
ted from a number of structures.
ut of these only one contains the
ue structure. Therefore, what is
eded is to choose the simple
ssible set which contains a
ucture sufficiently approxima-
e to economic reality.

y analysis is concerned with the
tion of conceptual models to
d appraise criteria, rules and
for the allocation of resources.

Koopmans makes a clear distinction between classical theory of production and prices and activity analysis.

(1) The classical theory assumes a production function based on optimisation brought about by entreprenuer whereas activity analysis explores various alternative of production. In short it starts from a model of technological facilities.

(2) The second point flows from the first that as against the set methods of maximisation, activity analysis permits considerable flexibility in specifying alternative forms of organizations and evaluating their effectiveness.

(3) Activity analysis, as against the predetermined objective and method, provides us with methods of computation indicating what programme will best serve a given objective and how to translate given valuations of final commodities into valuations of indeterminate and primary commodities.

(4) Models based on activity analysis can be made to recognize and trace the implications of basic limitations on the availability of certain primary factors of production.

further stages

These models further proceed into two directions or stages. (1) The first stage is a study of the price implications of efficiency. Given the limitations of primary factors, such as land, labour and capital, a combination of activities is called efficient if net increase in output in one direction is attained without a decrease in another direction. Every efficient combination of activities is associated with a particular level of prices irrespective of the forms of market in existence. Thus, in another form, it gives a mathematical base to the former's classical notion that ideal allocation is possible only under particular form of market, i.e. perfect competition.

The second stage is reached when a particular objective function is given. If the function is linear, then it is the final field of linear programming proper. In short, according to Koopmans studies in activity analysis serve two purposes. The first is to have another look at the price system as a means of allocating resources apart from the traditional role assigned to price mechanism. Thus, on the one hand, the price system could be used more fully than it is at present and on the other hand, we may be taking the presumable efficiency of allocation through competitive market for granted. It clearly establishes the fact that the major role assigned to the price system by the traditional economists as a panacea for ideal allocation is unfounded and may do more harm than good.

The second purpose of the studies in activity analysis is to develop computational methods and equipment that can be used to deal with complicated allocation problems. This will also be of great help in those situations where price system is not of any help or use in allocation problem. Such a situation is confronted with when a centralised agency allocates the resources not based on price incentives but the requirement of the economy as a whole.

The major contribution of Koopmans work is in the field of problems of efficient and optimum allocation of resources. The point of dispute in welfare economics is the choice between the most efficient allocation of resources in production or the most desirable distribution of commodities or income. According to the classical writers both these objectives are contradictory and cannot be achieved simultaneously.

Dr Koopmans observed that these twin objectives can be combined together. They hang together particularly through the effect of the reward for human effort on the quantity and quality of that effort. The famous socialist maximum "from each according to his ability, to each according to his needs", seems to assume that human effort is available in given quantity. However, such an assumption is not necessary to justify the separate study of allocative efficiency in production.

a grand debate

Traditionally, a grand debate on the merits of private or corporate enterprise and a centrally directed economy was going on and still continues. There are writers, on the one hand, like Hayek and Robbins who argued the case in favour of private or corporate enterprise. Their plea was that the conditions for efficient allocation of resources are absent in a centrally directed economy.

A number of writers, including, Dickinson, Oscar Lange, Lerner etc., adovacated the case of a socialist economy which has a centralised agency for planning the resources of an economy. They incorporated in their model of a socialist economy, the relevant theoretical consequences of competitive economy based on free market system. These writers further argued that the objectives of a socialist economy can also be achieved **without** the calculation of a centralised agency. This can be done only when the private entrepreneurs observe some rules. This objective can be attained if the manager of a plant produces any output or output combinations at minimum cost, and the manager of a plant or industry arranges for production at such a level as to equate price and marginal cost.

Professor Koopmans, in contrast to earlier models, created a different model of production. In his model he has not presupposed that marginal cost is necessarily known quantitatively to the manager of the individual production process. Actually, much substitution in production, between alternative factors or product factor combinations, arises through shifts in the extent to which alternative discrete processes are used, rather than through
continuous variation in factor
tions within the individual proc

The purpose of Koopmans n
demonstrate that the possibili
shifts is sufficient by itself to es
concepts of marginal produc
marginal cost, where applicab
more general concept where the
applicable.

Financial institutions and backward are

Dr. H.R. Mac

ONE OF the unintended effects of planning in India over the past twentyfive years was the aggravation of regional inequalities. The word 'unintended' is deliberately used because the plans always profess balanced regional development as one of the goals. How did this happen? Until four years ago no special financial or tax incentives were given for the location of a unit at a place. The central public sector projects, however, were set up deliberately with a view to their locational impact. But this came about as late as in the fourth five-year Plan period. Assuming that the incentives offered, subsidy on fixed investment, provision of working capital on concessional terms, transport subsidy and rebate on income and wealth taxes are adequate for promoting regional dispersion of industries and their impact is such as to considerably influence locational decisions, would they really help in the development of backward areas?

the concept

Before we proceed, let us ponder over the concept of development. By and large it has come to mean the net addition to output of a region or nation as a consequence of a deliberate plan or a policy measure; and individual improvement is expected to be revealed by increases in the per capita figures. The emphasis in all plans is, of course, on industry, investment in which is supposed to improve the lot of the common man. The financial, promotional and developmental institutions and agencies have also helped in perpetrating this faith in industry to improve the conditions in backward areas.

This concept of development ignores two basic aspects. First, who should be the beneficiaries of regional programmes? They should be the people of the backward region. This is not to be construed as advocating a "sons of the soil" policy in regard to employment. What is at stake is more than employment. When we plan for a nation or a region we should think of the demographic traits of the region or area. While we plan we should think of the individual rather than the machine (a symbolic expression for industry). The residents of a backward area are unskilled and illiterate. Such persons do not have any chance of getting involved directly with the plans or programmes or to be more specific in the industrial units that are to be set up. At the most they would have a chance of working as labourers in the construction phase and as menials after the production stage. This is amply borne out by the history of the public sector plants located in backward areas.

limited employment

The location of aeroengines factory at Koraput and Heavy Engineering Factory at Ranchi were decided with a view to provide a means for gainful employment to the tribal and other local people. As it turns out they constitute an insignificant proportion of total employment provided in the plants and limited to unskilled and menial tasks.

On the other hand, you create social tensions by attracting people from other regions to a backward area to participate in the productive activity being organised. What we have in mind then by regional development is purely of statistical significance. No doubt, the increased production on account of the promotion and development of the industrial units shows that the regional income has gone up and so has the per capita income. What we are basically ignoring in the process is the fact that our technique or instrument of development such as industry is basically unsuitable for altering the miserable life of the residents of the backward areas. What they need first are simple tools to work with nature and help in the organisation and coordination of the activities and things-to-do.

Our experience with planning,
as well as regional, has demonstr
the structure of investment that
died in them benefits only those v
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tunities economic growth opens

the untouchables

The poor and the illiterate in t
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The growth models of the wes
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equipped skill-wise to work in th
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planning are likely to land us in
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Hirschman has warned* the de
countries.

Economic dualism in our countr
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The solution to the developmen
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endowment and demands large am
capital. A dualistic approach to p
on the other hand, is efficient
labour is brought into the fold
rudimentary activity, expands
tion and makes life meaningful.

The approach advocated here

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*Hirschman, Albert O: 'The Changing
Income Inequality in the Course of
Development', Quarterly Journal of E
November 1973.

ectly. Our plans, programmes,
things-to-do whatever one may
call them should be aimed at
he population in backward areas
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the under-privileged

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of letting each develop at his own
and rate is to give each the skills,
ining and the simple tools to work
ature. The task of the state or
a institutions is to provide in
adequate organizational, credit
arketing facilities, and promote
projects which are mainly agro-based and demand little skill.

This approach to planning and maximum utilisation of labour force would actually take planning to rural and backward regions with natural resources where we have the mass of labour force which is under and unemployed. Textile printing, garment making, light engineering, agriculture and related activities in rural areas offer the greatest potential. Investment in simple domestically produced tools to be used in such industries and small farms with greater participation by labour would, apart from contributing to output, stem the tide of migration to urban areas. Actually such non-migration would be a saving in cost. Leaving out other social overheads, the movement of a large mass of people to and from work in urban area is involving us in frittering away the energy resources which have to be economised.

aim of planning

The aim of planning whether for the nation or a backward area or region is to pool together simple schemes from the village level which would turn the under and unemployed persons into producers. This helps to build up productive capacity especially by rendering human beings economically productive.

These schemes relate also to the development of manpower in case the residents of backward areas are not adequate to participate even in simple schemes. Again human development has to be envisaged in terms of imparting certain basic skills of a direct nature rather than a formal education with emphasis on literacy. Population may also have to be moved from certain backward regions which do not have even ground water to other less populous areas. While the resulting gains from this kind of plan are not comparable with the usual growth models where the preoccupation is with rate of economic growth, it ensures that development benefits those who need it most.

The programmes that evolve out of our growth models involve only those persons who have specialised and sophisticated skill. These are the people who are in urban areas and rural areas well-endowed with irrigation facilities and belong to middle and upper income groups. In a sense 'growth' has benefited the exchange sector. They can prepare and equip themselves and their progeny to avail of the opportunities that economic growth throws open. The people in rural and backward areas and less well to do have been left out because they were never part of the productive network and the exchange sector and did not possess the skills to avail of the benefits economic growth offers. At the most they had opportunity to work as manual labourers on project sites or migrate to urban areas to swell the ranks of unskilled manual workers to work on construction and at domestic menial jobs. This explains why the 'poor' have become 'poorer' and the 'rich', richer, both individually and regionally.

relieving misery

One may well ask whether we could have a plan based on such programmes. Not only can we contemplate a plan based on the concept of development presented here but it is essential to adopt it if we have to relieve the misery of the poor especially those in backward areas and put our economy on the path of self-sustaining growth. Let us detail what kind of programme we can have.

Any village endowed with at least ground water can have a programme. If the village is more fortunate to have been endowed with mineral or natural resources, it is still better. Among the agro-based industries we can think of bee-keeping, afforestation, horticulture, lumbering, collection of wild fruit such as tamarind, planting orchards, poultry, catching fish from canals, ponds, rivers and sea etc. In organising these activities adoption of the 'Kibbutz' or a commune or a common kitchen and preparing food to a large extent from locally produced materials may be considered. The idea in all these activities is to augment production within an agricultural season. Programmes which have a longer gestation (of more than an agricultural season or say a year) however can only be complementary to production for 'eats-now' or within the agricultural season. The idea is not to generate additional demand on our meagre supply of foodgrains. Other light industries in which the people in backward areas can participate are textile printing, garment making and light engineering industries. Care, however, should be taken that the new projects do not stifle whatever market-oriented activity that was being carried on earlier.

A plan at the national level apart from being an aggregation of schemes to bring labour into the productive network and for provision of investment in industries whose output is necessary for execution of such schemes should also have broadly a resource development programme which is purely a complement to the development of human resources. The basic resources of land, including mineral resources, ecology, and environment and water should be developed to meet the need for land (including minerals), water and energy. Further investment with complimentarity effect which sets up the pressures and inducement mechanisms that will elicit and mobilize the largest amount of latent or conditionally available resources should be undertaken. (*a la* Hirschman).

We come now to the last part of the problem. What is the role of development banks or financial institutions in the development of backward areas? Traditionally their role is envisaged as catalysts for promoting a viable process of industrialisation. In the case of backward areas this has meant provision of finance on concessional terms. In our own country the emphasis on industrial programmes may be due to the fact that we have specialised institutions for agriculture and industry. The financial institutions, however, made surveys of backbard areas and formulated development programmes in terms of industrialisation.

The emphasis on industry would not really benefit the people in the backward areas. It is demonstrated above that no direct involvement of people in backward areas can be envisaged because the 'natives' of the area do not have the skills to avail of the opportunities the setting up of a factory or a mill opens up. The migration into the area of skilled people from outside can only create social tensions. No doubt the financial institution can count on a project successfully implemented and functioning. But has it achieved the purpose? What is needed actually is 'equitable' economic growth. This can be achieved only if we design our investment not merely for the geographical development but of people resident in a backward area.

The approach advocated here would then involve designing such projects which would add to output by bringing those into it who are outside the market-oriented activity. We have elaborated above the kind of projects that would be significant from this point of view. But this involves a radical departure from the present emphasis on industry by the financial institutions. The financial institutions which already use a co approach in regard to financing b trial projects could join hands w agencies such as agricultural institutions, cooperative institut state governments and evolve sc projects with the objective of b people in the backward areas. more or less a collaborative a and uses several techniques to the lot of people in backward a

Backwardness then has to be fo several fronts, not merely on th trial one. The financial institutio if they cannot emulate the Wor in view of the existence of other s ed institutions have to adopt its ap The World Bank in rendering as does not restrict itself to industr jects. Our financial institutions promote and finance any projec renders any under-and unen person productive. An integrat proach would involve a developm spective and the collaboration of institutions to plan for a backwa The implementation of projects then result in making life more m ful for people living there.

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ON EUROPEAN BANKING

ARCH 19 issue we outlined the ets and the technicalities of their This week we turn to the way they have affected European nd monetary policies.

sked the way to the Euromarkets d receive the perplexing answer have no physical existence as ple, have stock exchanges and y markets. In part, this is he genesis of the Euromarkets er the great technological ad- communications, which have physical market places unneces- lephone, telex and television ween commercial banks through- orld are the arteries of the euro- which explains why there is no uromarket "capital" although the of financial centres where Euro- aling takes place is comparatively western Europe it includes Paris, Frankfurt, Milan, Amster- ckholm, Zurich, Basle, Geneva, nd London. Elsewhere the only of significance are Toronto and While none can claim an offi- n, the acknowledged first among s London, which accounts for nt of gross Euromarket business. wes its pre-eminence to its sop- money and foreign exchange When eurodollars first emer- y gravitated naturally to the est equipped to handle the new speedily and accurately.

best market

London remains the best market buying and selling large quanti- eurocurrencies simultaneously, London has a highly developed k market: a purely financial non, in which banks transact themselves to balance their books chieve their desired structure of . This contrasts with the com- business of providing loans to rs or receiving deposits from of surplus funds, transactions ay be with industrial firms or ents rather than other banks. ropean centres have traditionally concentrated on this commercial business, although they are now gradually developing inter-bank markets.

What effect have eurocurrency markets had on national economic and monetary policies in Europe? Can the Euromarkets be the forerunners of closer European monetary cooperation?

There tend to be differing views on the second question, but it is possible to find a common starting point. Within Europe there now exists a large quantity of short term money which moves between countries in response to changes in interest rates. In a world of fixed exchange rates and no exchange controls, arbitrage is inevitable: money flows to countries with comparatively high interest rates and this leads to an expansion in their money supply and a consequent fall in interest rates. By contrast, eurodollar interest rates are primarily determined by monetary conditions in the USA, which themselves powerfully influence the structure and level of interest rates in Europe.

convergent pressures

There are thus underlying convergent pressures working on interest rates in the west, although the picture has been blurred by the advent of floating exchange rates. Stable monetary growth, which is resistant to fluctuations in capital inflows and outflows, now requires a central bank to adjust both exchange and interest rates to achieve a desired equilibrium. Any depositor of surplus funds will accept a lower rate of interest in a country with an improving parity rather than one in which he fears the exchange rate may fall.

Interest and exchange rates are therefore two sides of the same coin, a fact perceived more clearly today than it was when exchange rates were fixed. Before 1970 the Bretton Woods regime survived more or less intact; its chief characteristic was the long delays between the emergence of a current account surplus/deficit and its correction by a revaluation/devaluation. But the existence of large quantities of liquid, mobile funds eventually meant that delays led to intolerable capital outflows or inflows. The crisis of May, 1971, which led to the floating revaluation of the deutschmark was the last time that central banks tried to use traditional Bretton Woods tools. When their efforts collapsed, a new regime was born of which the eurocurrencies were the midwife.

independent policies

While Euromarkets have contributed greatly to the internationalisation of monetary policies, governments still retain a strong, some would say a primitive, urge to pursue independent policies. Although fixed parities have been swept away, floating is still comparatively "dirty", involving a degree of central bank intervention in foreign exchange markets. The part played by exchange controls in fostering the growth of the Euromarkets has already been outlined. In detail, controls seeking to prevent capital inflows, have, during recent years been :

I. Interest payments on deposits belonging to non-residents have either been banned or, by charging a commission, actually made negative. In the past five years this policy has on various occasions been adopted by the Netherlands, Belgium, West Germany and Switzerland.

II. Foreign deposits have had a much higher reserve requirement attached to them; whereas banks need only hold some 10 to 20 per cent of domestic deposit on reserve and can then on-lend the rest, the reserve ratio on foreign deposits has been as high as 100 per cent, which effectively removes the banking incentive to attract deposits from abroad.

III. Quantitative limits on the net foreign currency liabilities of banks have been imposed in Switzerland, Holland and Belgium.

IV. Restrictions on companies wishing to borrow money abroad are increasingly common. This may involve obtaining permission from the authorities who rarely grant it. Another example is the West German Bardepot technique. In the UK a minimum time limit of five years before money borrowed abroad can be repaid is the rule. Whatever the method, the intention is always to prevent short term speculative money being imported under the guise of company borrowing".

II

TWO-TIER EXCHANGE RATE

Apart from different methods of exchange controls, several European countries have sought to establish two-tiered exchange rates to deal with eurocurrency flows because they feel that sharp fluctuations in exchange rates disrupt foreign trade and that it is therefore desirable to separate current and capital account transactions with the rest of the world.

At various times, Italy, France, Belgium, the Netherlands and the UK have operated two-tier rates. The financial rate is left to be determined by market forces and is thus highly sensitive to capital flows. The commercial rate however, is to some degree managed by central banks so as to give exporters and importers some stability on which to base the prices that they charge. While this, in theory, may be sound strategy, in practice it is often difficult to distinguish between commercial and financial transactions.

If governments try to maintain a commercial rate which is at too large a premium or discount over the exchange rate, then arbitraging between the two will be difficult to prevent. France, which had the most comprehsneive two-tiered system, could not prevent the franc being revalued against the dollar in 1973, or being forced out of the European currency snake in 1974.

panoply of controls

Although they have not been wholly successful, the panoply of exchange controls erected in the last four years by central banks, aided by floating rates, have swung the pendulum back in favour of national monetary policies and away from the internationalising influence of the Euromarkets. It is conceivable that the European central banks could by now have resumed their studied indifference to the Euromarkets, confident that they had once more established their independence, but the experience of 1973-74 has prevented any return to the previous status quo.

A succession of foreign exchange losses by banks, culminating in the collapse in June, 1975, of the important West German Herstatt Bank, forced the issue of Euromarket control into the centre of the political and economic arenas. In contrast to national banking regulations, the spotlight was suddenly focussed on the absence of any effective supervision or lender of last resort facilities in the Euromarkets. The first official response was at the September, 1974, meeting of European central bank governors in Basle. A new standing committee to improve the policing of Euromarkets and international banking activities has now been set up. Agreement also seems to have been reached informally that central banks will act as the last resort lenders when banks incur foreign exchange losses.

It is thus possible to discern the beginnings of a system of international banking control similar to that which used to exist for years in individual European countries. Logically, the next step would be to establish uniform reserve requirements on eurocurrency deposits—a formal recognition that the euromarkets require a genuinely international control policy. Were this to happen it would be a major step towards harmonising European monetary policies. Such a development is unlikely.

uniform system

Even if a uniform system of controls could be agreed by the European central banks, it is doubtful whether other countries would conform. Singapore, the Bahamas, Hong Kong and possibly the Middle East are all keen to become major financial centres. Given the chance, they would probably draw the Euromarket's business away from Europe. Yet the international banks would still be able to tap the markets for funds, and European countries would have to fall back on existing controls as their only defence against destabilising capital outflows.

An uneasy stalemate thus seems to have emerged. National governments in Europe have, at least partially, succeeded in insulating domestic money markets from Euromarkets. They have used exchange controls to regulate capital flows. Fluctuating rates, even though "dirty", have reduced the certainty of capital gains from parity changes which made eurocurrencies so attractive in the late 1960s and early 1970s. European central banks now closely watch the Euromarket business of their own commercial banks, but stop short of setting up an international system of controls and reserve requirements because that would drive t
markets out of Europe.

By the side of these institution
lopments there has been a si
change in the composition of euro
and loans. In the early years, the
was dominated by dollars, in part
ing the US payment deficits. T
customers were American bank
borrowed eurodollars to satisfy d
reserve requirements. In 1974-
major depositors were the oil pro
whose surplus revenues were
denominated in dollars. Dev
countries have emerged as sub
borrowers, and loans are linked to
projects far more than they had be
viously.

These changes, coupled wi
relaxation of US controls on
outflows, are bound to lead to the
geographical dispersal of euroc
centres. Banks will find it desir
be closer to the sources of funds an
tial to be closer to the main bor
Project finance means real invol
with borrowers and that is impos
arms length.

The character and location of the
markets seem, therefore, to be c
recognisably in the direction of
market and banking activities. T
five years of this decade may, in
pect, be seen as the years when th
markets faced serious challenges
governmental and commercial and
ved to become respectable.

Sources and acknowledgement
foregoing completes the su
by special arrangement, of an e
report in the latest issue of *E*
Trends, published quarterly to sub
only by the *Economist* Intelligenc
(27 St. James Place, London SW1a
and obtainable in India in rupee p
from J.A. Shah, 67 Marine Drive,
20, but the E.I.U. is responsible
for the wording of my summary
my interspersed comments. Th
part of this report, entitled *Wh*
Euromarkets? appeared in *Eastern*
mist dated March 19, 1976.

cheer on the monetary front

E. B. Brook, Vienna

WEAITH PRIME ministers will
cheer from the report they are
g from a group of economic spe-
who have been investigating the
ts difficulties of industrially deve-
tates. According to the experts,
al deficit facing these states will
at $ 35 billion for at least the next
ars. Since not more tnan $ 6
will be forthcoming from insti-
sources to meet the imbalance,
$29 billion will remain. Since no
ing states will be in a position to
ny significant part of this sum, if
all, there will be a heavy call on
s development aid and other
.

high cost of oil

payments difficulties are due
to the high cost of oil. It means
dustrially developing states, those,
e not members of OPEC, which
ccording to the UN Yearbook of
Statistics for 1974, only an 11.25
t share in world trade, would have
a crushingly heavy bill if not inter-
lly supported. Despite these very
nd ominous figures, the US
ry has just completed an analysis
eassuringly comes to the conclusion
less industrially developed count-
hould be able to avoid disruption
ancial crisis again this year." The
conflicts, at least by implication,
sessments of the prospects of these
ies made by the World Bank, the
tional Monetary Fund and the
Nations.

stimates project a slightly smaller
for this year than in 1975 largely
e of the recovery from recession in
of the fully industrialized world.
remaining deficit of $ 34 or $ 35
raises questions whether the non-
veloping states will be able some-
manage once again to finance
ficits on current account, including
debts on schedule. Unlike the Com-
alth's experts, the US Treasury
to the conclusion that "most less-
ped countries are expected to be
manage the financing of their
account deficits in 1976—the financ-
blem of the non-oil less-developed
ies as a group will be smaller than
." They regard the foreign reserve
position of these countries as "good", predict that the deficit to be financed this year will be smaller and that the inflow of aid from industrial and oil-producing countries, with other means of financing deficits, will be a little larger. In other words, acording to the USA, the world's least wealthy states can cope.

Official thinking—may be private thinking also— is largely conditioned by what lies before the thinker. In election years the US Administration finds it convenint to discover circumstances which entitle it to curtail spending on helping less fortunate lands, maintain an aggressive atitude in foreign trade and to take restrictive steps against importers to boost profits and wage-earning at home. These reasons probably lie behind the Ford Administration plans to seek Congressional approval for a programme of only $ 7.8 billion for an overall foreign aid programme for the next fiscal year—a billion dollars less than that voted in the current 1976 fiscal year. Half the drop in aid requests relates to economic assistance—$500 million below the 1976 level. Most of this aid—47 per cent—will go the Middle East, leaving about $ 5.2 billion or the non-oil industrially developing countries.

Overall deficits

These estimates of overall deficit and means to meet them for the industrially developing states have come as the Trade and Development Board, the second most authoritative UNCTAD committee, is meeting in Geneva in preparation for the fourth world trade conference to be held by UNCTAD itself in Nairobi from May 3 to May 28. Apart from some agreements on raw material supplies and a non-reciprocal customs preference system there will be very little improvement to show in the international trading situation of the less industrialized states since UNCTAD met last time. The most promising initiative has been the beginning of what promises to be a long north-south dialogue in Paris which has taken over a large part of the trading negotiations. But detailed regulation of the complex system of international trading appears to be unsuited to the much broader discussions in Paris and will remain the humdrum but essentially important function of UNCTAD.

Behind their discussions lurks the ever-present difficulty about payments, a difficulty which is now spreading to trade agreements beteen some developing countries and east Europe's socialist states. Zaire, with its almost sole export of copper, is having serious trouble in meeting repayments to the Soviet Union and similar difficulties occur with North Korea over a substantial credit for grain supplies extended by Moscow. Apart from state debts western banks have, since the collapse of the Herstatt-Bank in Bonn begun to fight shy of making financing agreements unless they are very sure of the credit solidity of their borrowers. East Europe's own growing trade deficit of about $ 35 billion ($ 5 billion more than in 1974) and its current negotiation through the Comecon Investment Bank of another $ 600 million credit makes the socialist states unwilling credit-givers and sharp collectors of dues whenever possible.

complex problems

The speedy aid to Italy when, recently, near bankruptcy drove it temporarily from the foreign exchange markets contrasts with the much more calculating systems of helping developing states in the complexities which the increased oil price has foisted on them. In place of careful calculations designed to show that the developers can somehow scrape along without "disruption" and current somewhat cheeseparing US recommendations to Congress on the delicate subject of aid, Italy has twice in the last three years rereceived speedy and substantial loans. The Common Market and Federal Germany extended loans of almost $ 4 billion in 1974 to cover part of Italy's increased foreign-currency costs of imported oil. This year, to meet a second economic crisis, Atlantic Alliance bankers have loaned Italy another $ 2 billion or more—with the usual conditions that Italy will strictly deflate its economy.

On receiving loans Italy carries out a deflationary policy so successfully that it boosts unemployment and brings a communist share in government significantly nearer reality. A further Market loan of about one billion dollars is similarly designed to keep the communist bogey at bay as are US promises of aid providing there is "no communist participation in government." The more cynical in industrially-developing states may perhaps regret they have no such communist bogey to induce the industrial states to help correct a serious monetary imbalance caused suddenly for the most part by an outside industrial revolt—the revolt of the Arab oil producers against the low prices.

The financial instability of the great industrial states themselves has been startlingly illustrated by the sharp fall in the exchange value of the pound. Heavy selling by the Nigerian government and of other oil money deposited in London dragged the pound lately below its new and lower assumed value of two dollars. The pound dragged the weak Italian lira, the much stronger French franc and the Belgian and Danish currencies down with it to the profit of the German mark and the Swiss franc.

These sudden and severe exchange movements began to threaten the entire pattern of west Europe's financial stability in the form of the "Euro snake" which limits the extent of exchange movements of its members' currencies. The weakness of the British position is not only the continuing weakness of its industrial economy but the fact that so many depositors on the London market are either speculators or clients liable to want their money back urgently on call. The weakness of the West Ger
tion, which should allow the
revalue, is that such an expen
making German exports less co
would be suicidal in an elec
The devaluation of the French
severe test for the "spirit of Ram
Rambouillet can operate onl
levels remain related and stabl
France prices have increased by
30 per cent in two years, twice a
West Germany and about as fast
Britain which prefers to let t
fall rather than put domestic
The developing states have one
the industrialists compete on th
their many problems.

Trends in UK manufacturing indus

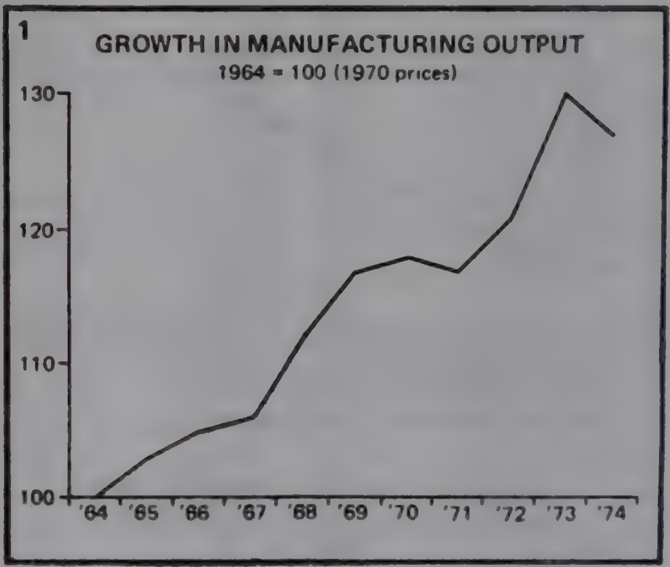
THERE HAS been much discussion in recent months of the phenomenon of relative decline in UK manufacturing industry. This article presents a broad survey of the main dimensions of this issue, using graphs to illustrate a selection of the principal trends.

A review of this sort cannot offer a full diagnosis of this very complex problem. But there are few who would regard the trends depicted below with equanimity. It is the government's policy to take steps to check and reverse this relative decline. This is a dominant theme in the new industrial strategy, and it will continue to be a major consideration in the government's overall economic strategy.

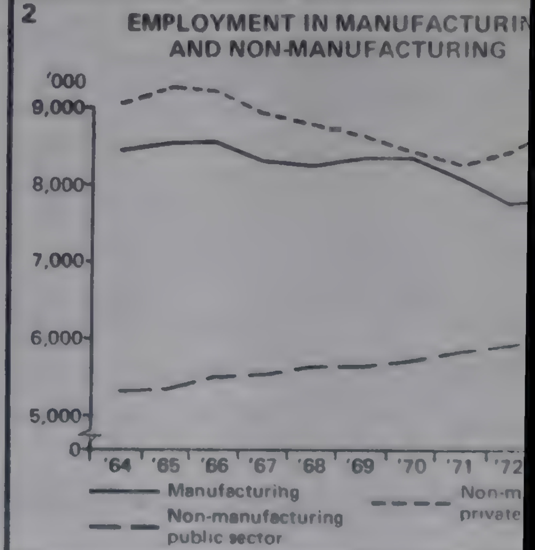
upward trend

Chart I shows the continuing upward trend in manufacturing output by volume, though this is modified, as would be expected, by cyclical fluctuations. It has, however, grown at a pace slower than in many of the other major industrial countries with whom we have to compete, and has been associated with a gradual decline in manufacturing industry's share of total output. Such falls have also occurred in other countries, for example in France, West Germany and the United States, but they have been less pronounced; in some major countries, e.g. Japan and more clearly, Italy, the proportion taken by manufacturing has actually increased. (This does not mean that such countries necessarily now show a manufacturing share greater than that of the UK in absolute terms).

Over the years 1964-74 there has been a steady drift downwards in employment in the manufacturing sector, amounting to over half million over the whole ten years. The process has been slow on the whole; over this period manufacturing's share fell from 37 per cent to 35 per cent. Over the same period there was a very slight fall in total number of employees in employment. Chart 2 shows that shift out of manufacturing has in fact been accompanied by a rise in numbers of employees in service industries have benefited. Employment in distribution and transport and communications has lost ground. But there have been increases in insurance and banking and other financial services and in professional and scientific services (mainly in the national health service and in local authority educational services.) In government services the rise has taken place mainly in local government. Meanwhile in other countries manufacturing employment has been increasing.

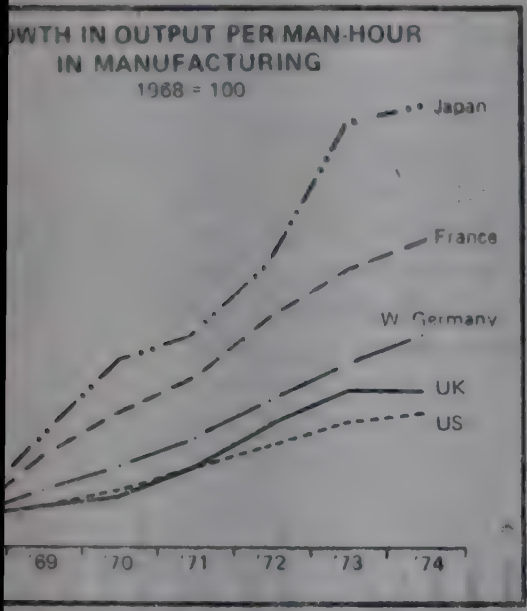


Several instances have been cited publicly of significant absolute productivity differences between factories in Britain and similar factories abroad bu
recent record (say over the las
five years) of growth in produc
been broadly in line with that
other major industrial countrie
far outstripped by one or two c
Chart 3). Where Britain
less well is in keeping up the i
growth in output as a whole.
ple, in 1968-73 output in West
rose 33 per cent and productivit
per man hour) 28 per cent com
15 per cent and 23 per cent in
In other words in the UK o
grown more slowly than prod
hence the fall in employment-
in other countries it has kept
productivity growth so that em
in industry has been maintained



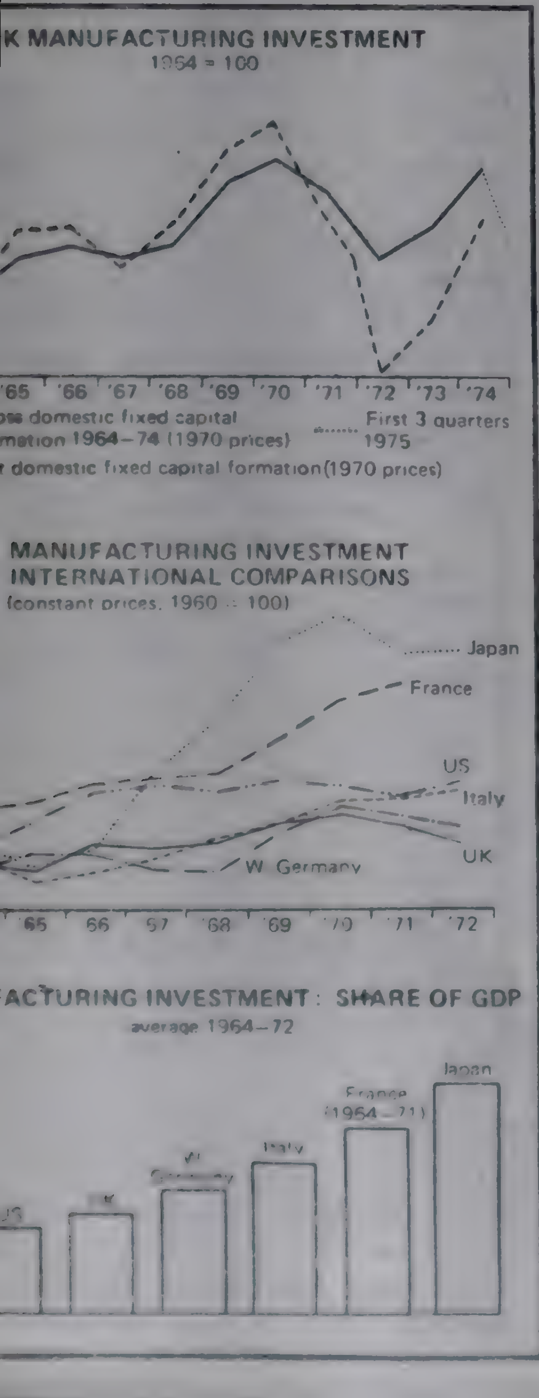
The annual volume of gross U
facturing investment increased
30 per cent between 1964 and 19
ever, the level fluctuates sharp
cordance with the course of the
cycle, and this figure therefore
several more or less violent c

ithin the period. This is shown
a which also indicates the sharp
llowing the 1974 peak. The
very failed to regain the peak
1970. If capital consumption
for, the volume of net manu-



investment, also depicted in the
hows even sharper fluctuations.

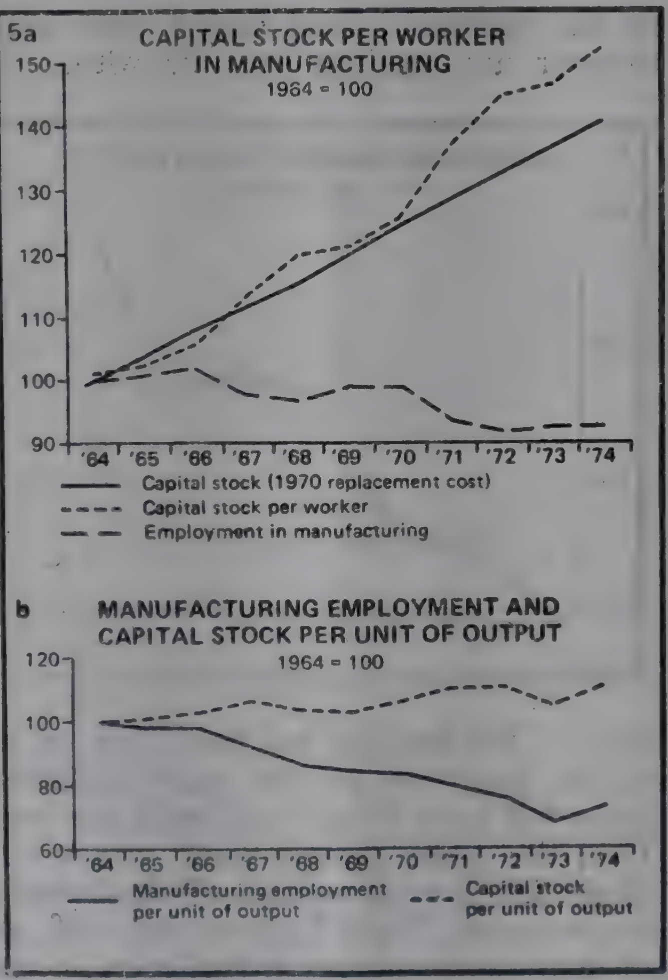
4b illustrates the comparable
in a number of other leading
s. Most have grown somewhat
an the UK. In terms of the pro-
of GDP spent on manufacturing



investment the UK's relatively poor record shows up rather more clearly (see Chart 4c).

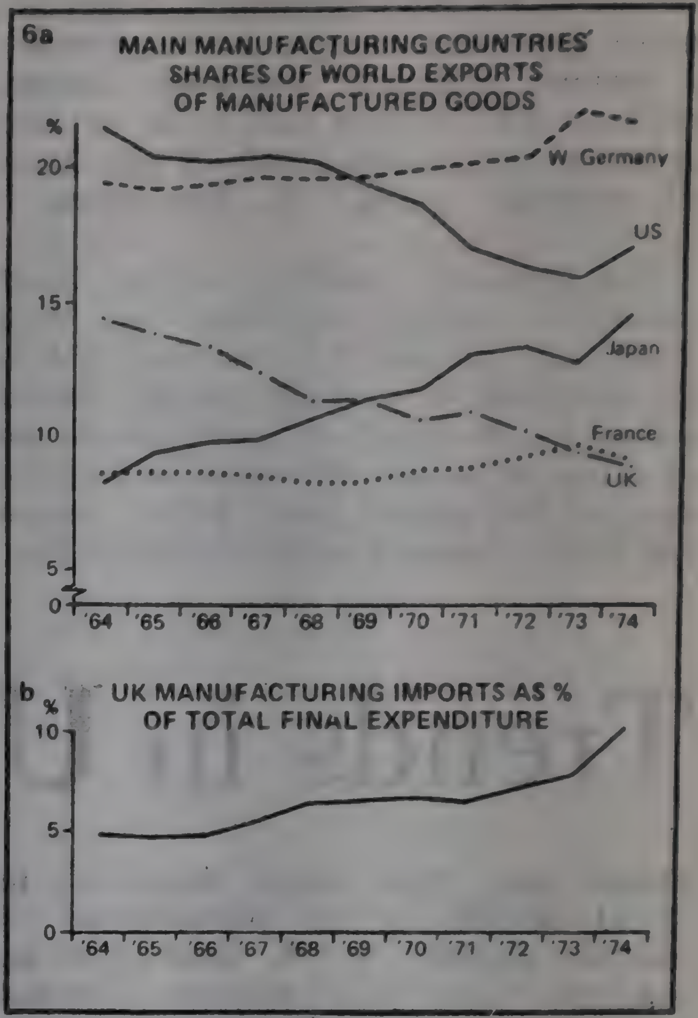
Chart 5a illustrates the relationships between the capital stock in manufacturing and the labour force. In recent years the steady rise of the capital stock taken in combination with the reducing labour force has led to a higher capital-labour ratio. As Chart 5b shows, employment per unit of output has fallen, and capital per unit of output has been rising. Very recently, in 1975, the severe recession has distorted all these relationships.

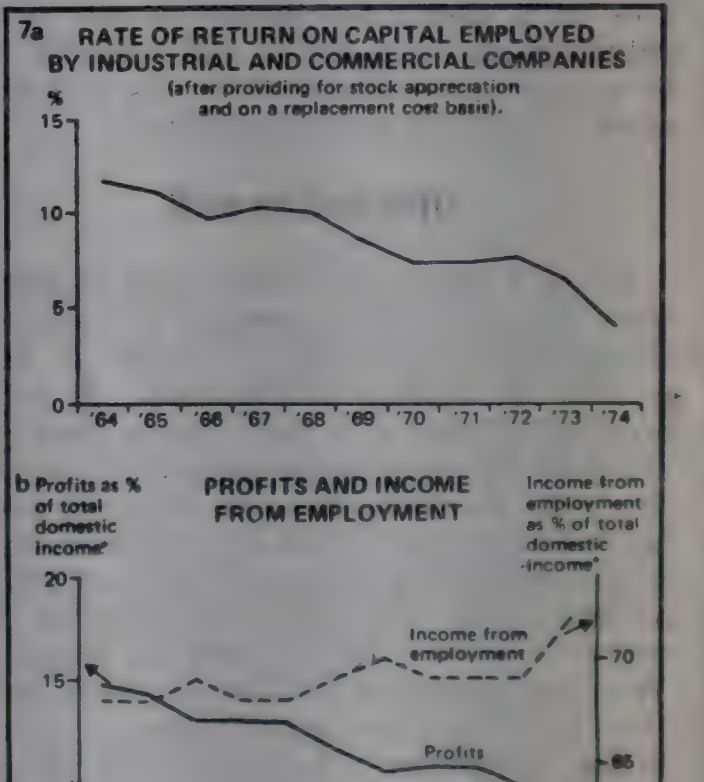
Britain is more dependent on its export trade than many other developed countries. It has, however, been less successful in holding on to its position in world trade. Over many years the share of manufactured goods in Britain's exports has remained at the high level of 80 per cent. But Britain has not succeeded in keeping or extending its share of world export markets for manufactured goods. This share has steadily diminished, as shown in Chart 6a.



Meanwhile imports of manufactured goods have made increasing inroads into the domestic market as shown in Chart 6b. Traditionally Britain has been an importer mainly of raw materials and foodstuffs, and an exporter of manufactures, but now over half of the UK imports consist of manufactured goods.

The profitability of the industrial sector (industrial and commercial companies) has been in long-term decline. Chart 7a gives the rate of return on capital employed by industrial and commercial companies (wider than manufacturing) at current replacement cost and after provision for stock appreciation, and Chart 7b illustrates the movement of gross trading profits (net of stock appreciation) of industrial and commercial companies as a proportion of (net) total domestic income. It can be seen that in 1974 the proportion was rather less than a half of that ten years earlier. Income from employment has risen correspondingly, although the change in its share over the decade is far less.





Courtesy: **British Information Service.**

BOOKS BRIEFLY

Reviewec
Academ

Population explosion and its consequenc

Population and Society in India: B. Kuppuswamy; Popular Prakashan, Bombay; Pp 136; Price Rs 28.

Land Reform, Welfare and Economic Growth: B.B. Sidhu; Vora & Co. Publishers Pvt Ltd; Bombay; Pp 271; Price Rs 30.

New Issue Market of India: B. Bhatia; Vora & Co. Publishers Private Ltd, Bombay; Pp 125; Price Rs 30.

A Framework of Banking Development Programme for a State—Case Study of Bihar: R. K. Patil, B.R. Sridhar & R. Bandyopadhyay; National Institute of Bank Management, Bombay; Pp 31; Price not given.

Modernisation of Agriculture: Shrinath Singh; Heritage Publishers, New Delhi; Pp 238; Price Rs 20.

Growth of Indian Economy in Socialism: Edited by Ashok V. Bhuleshkar; Oxford & IBH Publishing Co.; Pp 607; Price Rs 80.

INDIA AND in fact the world in general is experiencing population explosion. In India population is increasing at an annual growth rate of about 2.5 per cent and with a big base, it means an annual addition of about 13 million people to the already large population. By the year 2,000 the population of India, if it is allowed to grow at the present rate, will cross one billion-mark. It is anything but frightening to think that India has to find continually more resources to feed, clothe, house and educate about 13 million additional people every year. This task is so enormous that it may be difficult even for a developed country to successfully accomplish it.

difficult problem

How much more difficult must it be for a poor country like India? How do we tackle this problem? The first task is to make every one in India aware of this threatening problem which overshadows every other problem we can conceive. It can be said straight away that B. Kuppuswamy has eminently succeeded in his book *Population and Society in India* in presenting before us in a concise way the vast dimensions of the problem of population and its disastrous implications for the future. If creating keen awareness of a problem is an essential step before evolving and successfully implementing the policy, this book has succeeded in this task eminently.

What is particularly significant is that the author has analysed the Indian population problem against world background. This puts India's population problem as also the population problems of the third world in their proper perspective.

Malthus' theory

Not long ago it was intellectually fashionable to scoff at the pessimistic population theory of Thomas Malthus. When now we understand that the world population which was about 300 crores in 1960 has increased to more than 380 crores in 1975, we come to appreciate the catastrophic nature of the problem. This implies that even to maintain the current inadequate levels, the poor and hungry nations of the third world where nearly two-thirds of the world's population lives, will have to increase their food production by 26 per cent within a single generation. More food will not mean less hunger in these countries as more people have to be fed.

Naturally the consequence of the high rate at which population is increasing is the almost unspeakable poverty from
which majority are suffering i
developing countries. The auth
suggested many indices of povert
country like India. According
author, a man in India may be sai
poor, if he is not in a position
enough to provide 2,700 calories o
tious diet to each member of his
per day with just half his income,
individual is not able to purchase 25
of cloth for each member of his
per year, if he is not able to prov
least 50 square feet of floor space f
member of the family, if he is not a
save and invest at least 15 per cent
regular income per month or per a
and if he is unable to provide the c
in his family at least seven years c
mary education.

satisfactory indices

These indices of poverty appea
more satisfactory than the narrow
applied by V. M. Dandekar and
or by B. S. Minhas while mea
poverty in India. If the above
are applied, it would appear th
number of India's poor is larger
or 50 per cent calculated by the
authors. This helps us to und
the enormity of the problem of e
even the minimum standard of li
all the people in India.

The problem of poverty and th
mity of the measures required to f
problem may be illustrated by jus
ring to the problem of housing in

Next to food and clothing, ho
the most important requirement.
India the position in respect of ho
appalling. According to the find
the National Sample Surveys, it wa
that 62 to 78 per cent of the fan
Kanpur and Bombay live in on
tenements; in other cities 30 to
cent live in one-room tenemen
the surveys emphasise overcrow
cities and the fact that housing c
tion is not keeping pace with the

ation. In Bombay 25 per cent
milies are overcrowded with six
persons per room and four per
families are overcrowded with
persons per single room. It
found that 21 per cent of the
in Hubli, 31 per cent in Poona
ut 50 per cent in Jamshedpur are
extremely overcrowded condi-

ding to city surveys, over two-
the households do not have
ependent water tap; more than
d of the households do not have
dent latrines; and more than
ds of the households in cities do
e electricity. In 1957, the minis-
Housing estimated that 450,000
per year will have to be construc-
eet the increase in urban popula-
only 300,000 are estimated to be
per year, thus leaving an annual
f 150,000 houses per year. The
nmittee on Slum Clearance (1958)
ed that 1.15 million slum-houses
ally unfit for human habitation !
areas also the shortage of housing
mated to be in the neighbourhood
million houses. On a modest
ed cost of Rs 3000 per house in
eas, investment to the extent of
00 crores will be required to wipe
backlog of housing in rural areas
The author has made a good
ion that rural housing should be
part of rural development pro-
so that it will stimulate local em-
nt and provide plenty of scope for
of local materials, skills and ini-

the solution

is the solution to this baffling
of population? Having exa-
he population policy and family
programmes of the government
he course of the five-year Plans,
hor has come out with a fairly
olution to the problem.

most important step is making
aware of the problems created by
ng population and of the dangers
ead in case the population con-
grow at the present rate. The
wants that the old norms of big
ppropriate for nomadic and agri-
civilisations of the past should be
by new norms of a family with
ldren. People must be taught
suaded to accept the new norm
lone is appropriate for the pre-
civilisation. Finally the author
posed compulsory sterilisation
birth of two children in the family.

ears that this complex problem
a drastic measure, if India's future is not to be mortgaged. The author has insisted that common civil code should be made applicable to all religious and sterilisation should be made compulsory for all communities. No family of any community has any right to claim bigger portion in the national product depriving others of their due share. Recent objections raised by the Catholic priests and some members of the Muslim League on religious grounds to the proposal of compulsory sterlisation made by the chief minister of Maharashtra are therefore untenable and must be set aside. Drastic diseases call for drastic remedies and no community, majority or minority, can hold the economic progress of the country to ransom on any ground, religious or political.

This is an excellent book communicating to the common reader all that he needs to know about India's population problem making him thoroughly aware of the problem which the country is facing.

LAND REFORMS

Land Reform, Welfare and Economic Growth is based on the author's Ph. D. thesis which was completed at Leeds University during the years 1971-73.

The author has started his analysis by defining economic growth, which, as is well-known, involves capital widening and capital deepening. This in financial terms means increasing the rate of saving and investment. In order to initiate this process, there is need for a surplus of food-grains (wage goods) so that non-agricultural workers making capital goods and other inputs have the means to sustain themselves. As these tools and inputs come to be increasingly used in the agricultural sector, more and more surpluses of agricultural produce become available to more and more workers in non-agricultural sectors of the economy.

This increase in the marketable surplus depends not only on the increasing use of agricultural inputs but also on the existence of an organisational structure which collects the surplus and hands it over to other sectors. Also the existing organisational structure of agricultural production needs to be changed for greater social profitability from the use of new inputs. This explains the need for land reforms.

According to the author the term 'land reform' is much abused. In UN and semi-official documents the term is being used as a substitute for any agricultural change. To the author land reform means 'deliberate change introduced into the system of land tenure and the farming structure'. If peasants must be provided incentive to produce more this incentive largely depends upon 'ownership and secure possession of land'. But the ownership of land by itself is not enough and requires to be supplemented by improving economic circumstances (i.e. availability of various agricultural inputs) within which farm operators function as otherwise farming may remain condemned to low productivity. That is why the state has to intervene either directly or indirectly to bring about suitable alterations in the land tenure and farming techniques. Since land reforms must have welfare implications, it becomes necessary to appropriately redistribute the ownership of land and take special care of small peasants and the landless.

According to the author, there are two approaches to land reform. Either redistribute land among cultivators with whom it remains as private property and resort to taxation and such other measures to equitably redistribute the produce; or alternatively convert all lands into cooperatives or collectives in which case the distribution of income is practically directly controlled. The choice between these two polar models or some combination of them depends upon the particular socio-political and economic circumstances that prevail in a country. In India land reform proposals, according to the author, have been attempting to strike a balance between these to polar models.

farm productivity

Attempts must be made to increase productivity of agriculture. Though because of abundance of man-power, initially the process of mechanisation has to proceed cautiously, ultimately, since progress means increase in productivity per head, there appears to be no alternative to mechanisation of agriculture in India.

The net result of land reforms undertaken in India so far has been the abolition of intermediaries, coming into vogue of self-cultivation of land by owners and a trend towards farming for profit. According to the author, any new land reform programme from now onwards—for land reform is a continual process and not once-for-all measure—must start from this initial position, the contemplated changes keeping in mind the twin considerations of welfare and growth.

While distributing land, welfare considerations pose a number of problems. Though land distribution in India is skewed there is not much surplus land for being distributed among the vast landless agricultural labourers. According to the author, about five million landless labourers can be rehabilitated as peasants at the desired minimum level of income by this process of redistribution of surplus land. This still leaves about 11 million landless labourers untouched. And if land redistribution is undertaken, it will be difficult to resist the claims of the other poor and it may become expedient to allocate tiny bits of land thus aggravating the problem of small holdings. This leads the author to the conclusion that "the welfare possibilities for the poor of the agricultural sector depend upon making agriculture more productive, rather than redistribution of land. In this way more employment opportunities become available at a reasonable wage rate. The basic solution then is to introduce changes in the farming structure which are necessary for making agriculture more productive."

absentee landlordism

This requires doing away with forms of tenure which inhibit investment in land, such as absentee ownership of land. Also in a developing situation, tenancy arrangements can be a convenient means of the gradual detachment of small holders from the land, shifting them to other vocations, whilst allowing their holdings to become part of other larger holdings by the type of changes which are now taking place in the green revolution areas. According to the author, this process is in the interest of all concerned and also of society at large. According to him, a farm-size of 75 to 100 acres would be the most efficient unit on the basis of technology now in use in the green revolution area.

On the basis of this theoretical analysis the author has proceeded to devise schemes for the reorganisation of the agrarian structure in different regions of India in the context of the general economic background in the country. The author has divided states into three groups. The first group of states consists of areas where the green revolution has already made good progress and where there is scope for further extension. For this group of states, the author has recommended a comprehensive scheme of consolidation of holdings with area development projects. After that the situation can be left to take care of itself under private enterprise, albeit regulated by the state.

In the second group of states the man-land ratio is high, about a third of the rural households is rural labour households and a further growth of agriculture depends upon the controlled supply of water from monsoon rains. Here the author has recommended "a combined programme of area development schemes —creating irrigation and drainage channels—and of cooperative farming societies."

The third group of states represents the most unfortunate one which suffers from non-availability of water. In such cases the author has recommended starting of some experimental farms to collect information on dry farming practices and launching schemes for underground water prospecting. For the time being any significant improvement in the economic conditions of the poorer sections of the agricultural sector in those regions depends upon the creation of employment opportunities outside the agricultural sector.

The author opines that in a vast country like India, there is no single solution for all situations. Indeed there is scope for, and there is compulsion for accepting several solutions depending upon regional needs.

In these days when concern for the landless and the poor is overflowing and much thoughtless faith is being placed in redistribution of land to relieve their misery, it is good that B.S. Sidhu has clearly showed the limitations of land redistribution policy. Wrong policies whether adopted for reasons of political expediency or may be even out of true concern for the poor, will result in consequences harmful to the interests of the community at large including the poor themselves. The author has succeeded in forcefully bringing this lesson to the notice of policy-makers.

ISSUE MARKET

New Issue Market of India by B. Bhatia is mainly concerned with the evolution of of this market during the last twenty years. The author aims at identifying those problems which appear to be most directly linked with the functioning of the new issue market and to see what improvements are feasible in the interest of the development of the new issue market. Since India has accepted a mixed system of economy with immense scope for private sector industries and since a new class is emerging showing interest in risk capital, it would be instructive to know what the author has to say on this vital subject.

It is obvious that the main function of
the new issue market is to transf
savings or investible funds into
investment. This process of tran
tion can be achieved by the e
ment of different types of f
intermediaries and secondly b
viding the choice of a wide va
assets suited to the means, pre
and habits of the general investor
author is of the opinion that for
reasons the new issue market has n
able to attract the savings of the
hold sector for investment in the co
sector. This is clear from the fact t
savings of the household sector
form of corporate and cooperative
and securities as per cent of fi
assets had declined from 19.4 per
1956-57 to 4.5 per cent in 1964-
to 3.8 per cent in 1972-73 and th
portion of the household sector's
held in the form of corporate sh
national income remained less tha
per cent.

institutional finance

It is observed that to meet the g
demand of finance for industrie
government has set up various fi
institutions which directly and ind
help industries to obtain finance th
the mechanism of the new issue m
The author believes that establishm
such institutions would be a ne
supplement to the existing institu
structure and the growing volu
new issues will provide plenty of
for merchant banks. At present fin
advice to companies in making new
is provided on an ad hoc basis by
brokers and solicitors and the time
to organise a new issue is between
to eighteen months which is likely
reduced if done by the merchant
Merchant bank can also render a
range of sophisticated financial s
covering portfolio management,
porate advice and financing facili
new enterprises promoted by techn
Merchant banking can also contrib
the allocational function of new
market by careful security analys
by seeing that the issue is well pub
and is placed as much as possible
hands of the ultimate investors.

Though some banks such as th
have started merchant banking
vities, the author is of the opinio
there is need to set up such an or
tion at the all-India level to cater
requirements of small and m
sized entrepreneurs. The Banking
mission has also strongly recomm
the establishment of a merchant b
type of organisation in the countr

The author has rightly observ
investors are showing less keen

particularly of new companies, f the relative attractiveness of e forms of investment avail- vestors. To escape the company both investors and companies -passed the mechanism of new ugh the device of savings being n the companies in the form of posits. This enables the compa- btain their resources at lower n if they collected the needed re- hrough fresh issue of equities. e point of view of investors, fixed protect them against capital loss values. The preference of savers deposits with companies is evi- from the rise in these deposits 135.5 crores at the end of March Rs 644.9 crores at the end of 971. This implies that "the new arket has not provided the ade- hoice in the variety of assets to preference and habits of the gene- stors." This also means that there to widen the choice of the range ities in order to attract the savings ousehold to the corporate sector.

household savings

ter part of household savings is ed by provident fund and life ce. Almost all such funds are towards investments in govern- nd semi-government securities be- f the statutory requirements. This ir to contributors as the yield on ecurities is comparatively low and cause of the rising prices. It is ssible to revise returns on govern- ecurities as that would call for a revision of the government's inte- e policy. The author therefore has ed that part of provident and insu- funds should be invested either or through the Unit Trust India res and debentures of good com- where the return is higher than ernment securities. This is essen- an economy such as that of India the supply of capital is centralised in nds of the public sector financial tions.

author is also of the view that share- would become a more attractive nent if through tax concessions new financing is placed on the same as debt financing. A scheme pro- tax credit to investors in new issues operation in 1969. The scheme, ing to the author, needs to the d with the object of attracting ors to new issues from which they ot hope to get any return for initial five years. Also to encourage investment, the author has suggest- t the companies may be entitled at least for a limited period, to deduct dividends paid on new equity capital in computing taxable income in the same way as they would be entitled to deduct interest on loans.

Further, restrictions on the declaration of dividends above 12 per cent has created doubts in the minds of the investing public about the risk taken and whether the reward offered is worth it all especially when fixed deposits for 61 months and above carry 10 per cent interest. The restriction on dividend needs to be removed forthwith.

package programme

In addition, the government should, according to the author, come out with a package programme of various incentives in the form of abolishing or reducing controls, categorial statement of policy issues at least for the next five years and with monetary and fiscal measures to curb inflation as that would attract investors to equity capital.

New capital issue of the order of about Rs 100 crores are made annually. But this, according to the author, is a low figure taking into account the nature of India's developing economy. The situation has developed, especially after 1962 when decline in investment in equities started. The whole question of savings, investment and interest rate structure needs to be carefully re-examined in the light of development needs.

Once a country has accepted a mixed system of economy and assigned a crucial role to the private sector, it becomes incumbent on the government to see that it is in a position to raise the needed capital in various ways. The talk once indulged in by some economists that all finance should be institutionalised and that private sources of funds for the corporate sector should be choked of is not in consonance with the principle and spirit of a mixed economy. There are different types of investors with different preferences and they respond differently by saving more or less to different degrees of risks. It follows that government must therefore encourage the development of new issue market. B. Bhatia, has made eminently useful and extremely practicable suggestions to realise that objective.

RURAL BANKS

It is admitted on all hands that a strong base of institutional finance of which commercial banking forms a major part is a must for the success of the plan programme or for that matter for the economic development of any country with or without plan. That the banks should finance legitimate credit needs of the people in rural as well as urban areas, more especially the disadvantaged segments of the society such as small farmers, self-employed persons, small industrialists and transport workers has now come to be accepted as a priority objective. The achievement of this task is possible only through a banking presence. But then it has to be "in a form which can be used at a place where and at a time when it is needed and is availed of by those who need it most." This means proper branch expansion and location planning are crucial to the fulfilment of the developmental objectives of the banking system.

Any programme of branch expansion within a specified plan period is naturally constrained by the organisational, manpower and profit considerations for the system as a whole during the plan period. Keeping these constraints in view, the programme consists essentially of two components: (a) determination of total number of branches of different types (namely, rural, semi-urban, urban and metropolitan) to be opened in a state or district, and (b) to determine the exact location of such branches so that the developmental objectives are adequately served.

the criterion

In the case of determination of the total number of branches, the criterion adopted for the allocation of branches is the reduction of the existing disparities in banking presence as far as is practicable. *A framework of Banking Development for a State—Case Study of Bihar* is mainly concerned with rural branches and the question of appropriate methodology for locating them.

The authors have evolved a methodology and have applied it to the state of Bihar. The booklet thus discusses the approach to evolve a branch expansion-cum-location model for a state and presents the results of the application of the model to the state of Bihar. A perspective of five years (1974-79) has been chosen for the state banking plan to synchronize with the period of the fifth Plan. This is also a sufficiently long period for the government agencies and banks to plan advance action for removing any difficulties which are likely to emerge. Naturally while devising the plan, the authors have placed major emphasis on rural locations.

According to the authors a usable locational framework in the context of developing economies should satisfy the following criteria: (a) The new centres should be so located as to be easily accessible to potential clients in the command area. (b) Command area should be so fixed that not more than a day would be needed for communication by clients. (c) The centres should have at least minimum facilities—roads or rail connectivity, police protection, postal and telegraph facilities, schools, medical care, etc.—for the staff to function efficiently. (d) Command area should have sufficient potential for banking business to ensure the viability of the branch within a specified period say five years.

locational framework

Thus according to the authors to have scientific locational plan, there should be an adequately developed locational framework without which the plan is likely to run into difficulties. A comprehensive forward-looking plan exercise (which would also require solution to second order problems such as deposit estimation, estimates of credit needs of the area, etc.) becomes necessary to plan and integrate the short-term measures in order to realise the goals over a longer time horizon.

The authors by classifying and analysing information about agricultural and industrial production, cropping pattern, extent of electrification, rail-road connections, location of populous villages, bus routes, postal, telegraphic and telephone facilities, police stations, schools, colleges, hospitals, maternity centres, petrol pumps, etc., etc. for different blocks in the state of Bihar have transferred that information on the map of Bihar for a meaningful search for new banking centres. The authors have also plotted on the map of Bihar the bank branches existing on December 31, 1973 and in order to identify gaps in the banking presence, command areas of the existing bank branches have also been shown on the map.

Having demarcated command areas of the existing branches, the authors could easily identify gaps in the network of bank branches. On this basis a provisional list was made indicating the availability or otherwise of minimum infrastructure facilities. As the number of potential centres exceeded the number of branches nationally allocated to the state of Bihar and to different districts, the authors have fixed priorities on such bases as unbanked blocks, unbanked market centres and so on. Profitablity consideration had also to be considered on the basis of deposit estimates which depend upon complex socio-economic factors such as size and distribution of income, major sources of income, expenditure pattern, banking habits of the people in the area and so on.

On the basis of this theoretical framework, the authors have prepared a number of tables and three excellent bank-locational maps.

The post-nationalisation experience shows that the bank location-decisions are being made on an *ad-hoc* basis sometimes guided by considerations other than those consistent with the wider national goals laid down in India's five-year Plans. It is therefore necessary to have a scientific frame of reference for bank locational analysis consistent with the wider national goals. Scientifically predetermined locations make it easy to take the preparatory action such as looking for and hiring premises, furnishing them, recruitment and training of staff, familiarising the staff with the locality etc., before a branch is opened. There is no doubt that the methodology proposed in this booklet provides an appropriate framework to evolve an action-plan for branch expansion programme in any state, though the authors have mainly concentrated their attention on the state of Bihar. It would be worthwhile if the research-wings of the 14 nationalised commercial banks proceed along lines indicated in this booklet and in the light of the experience gained evolve more sophisticated methodology for locating banking centres in any state or district.

MODERN FARMING

With all our efforts through four-five year Plans, the objective of self-sufficiency in foodgrains continues to elude us. A bad monsoon completely upsets the apple-cart of the precarious balance which means that the threat of famine or huge expenditure on costly imports of foodgrains always looms large on the horizon. Shrinath Singh in his book *Modernisation of Agriculture* gives reasons for this state of affairs. According to him "areas which are already well endowed with the infrastructure for successful farming tend to be the recipients of governmental benevolence." Other areas which have great potential for agricultural development have been neglected on the plea that the community is conservative and unresponsive to change. Shrinath Singh's contention is that it is important to help such communities to improve their methods of farming, and that they are second to none in good husbandry and in adopting profitable technology given the right opportunity."

The author has tried in this book is based on his dissertation submi Sardar Patel University for his Ph demonstrate how farmers descri conservative in an area considerec ward grasped the opportunity to their farm structure once a profitab nology was made available to Many such areas exist in India. of being written off as backwar conservative, they could help augm national granary, given the oppo and incentive.

eastern UP

The author has tried to prove his thesis by studying the situation in e UP which is proverbial for its p and backwardness. The main cau this state of affairs are the size anc density of population, the virtual a of industrial development and nec infrastructure for agricultural grow so happened that all the agricultural lopment during the British rule concentrated in western UP. The de ment of eastern UP was neglected after independence as is evident fro per capita income in that area duri successive Plan periods.

However, recent changes in e UP reveal that the farmers of that are in no way inferior to their progr counterparts in western UP in spi their many handicaps. Wherever co dation of holdings was complete and tric power for agricultural purpose made available, farmers have gone with the adoption of new techno This has naturally changed comp the face of the area. The attribut traditional agriculture, namely pro ion mainly for family consumption, marketable surplus, significant con tion of land to production compar that of labour and equilibrium at lov stability have given place to incre production, smaller contribution o to production, bigger marketable s ses and continual dynamic disequili which are the hallmarks of agricu progress.

The author has analysed this pr by selecting from eastern UP two of four villages each, one modern a other traditional. The two sets of v selected for study are similar in s respects. They are similar in resp size of holdings, caste-structure, ship of land, contact with cities and

The variations start with the fac electricity for agricultural purpo available only in some villages.

ence set in motion the whole chain actions which caused these villages ke the first step towards moderni- n.

new technology based on high ing varieties of cereal seed was availa- during that period. Once electricity available, those farmers who had in- e from outside sources (i.e. from the bers of the family serving in near-by ns or in cities) used it to create their irrigational sources. The outside me played a crucial role in the pro- of development. On the other hand, ges without electricity remained in st the same traditional state.

Capital intensive

comparison of input-use in these two of villages reveals that farming has be- e capital-intensive in the modernised ges. Assured irrigation and cultivation igh yielding varieties and new crops resulted in boosting the overall luction in the modernised villages. pared to yields in the traditional ges, those in modernised villages have eased from 27.9 per cent to 98.5 per . Naturally in modernised villages' ketable surpluses have gone up. The age value of marketed surplus per in modernised villages is nearly Rs 0 as against only Rs 370 in traditional ges. The author has arrived at the clusion that caste plays no role in lernisation.

he author has thus reiterated the con- ion that "given access to a new pro- ble technology, agricultural develop- it could be accelerated even in the called' backward areas of the country. ial factors like caste cannot hold back process once a suitable technology is ilable."

he study has produced an extremely eful finding that moderrisation and pro- ss are possible even in areas traditionally wn for their backwardness and also ong castes which are traditionally wn for their conservatism and tradi- alism. The study also indicates the essity of change in the strategy of icultural development. It is a useful dy which provides basis for formulat- realistic plans for the development of kward areas and tradition-bound com- nities.

SOCIALIST ECONOMY

Editing a book in a sense is one of the ier ways of becoming an author and ne people seem to have specialised in But it must be understood that discerning editorship especially when the bject chosen is as large and complex as Nehru's thoughts and his contribution to Indian economy and socialism, is as difficult as direct and original authorship.

The title *Growth of Indian Economy in Socialism* chosen by the editor is thoroughly inept and positively ungainly.

Possibly the most worthwhile part of the book is the foreward by B.P. Adarkar who in his usual forthright manner has made certain concrete suggestions to modify the goal of 'socialistic pattern of society'. He has suggested that there should be strengthening of those public sector enterprises which have given good results, that public sector should confine itself to the strategic areas of industry only, that there should be denationalisation of those public sector undertakings which have proved to be a losing concern, that we must cut through the labyrinth of controls and licensing procedures which have been strangling the economy in the private sector, that the entire tax system should be simplified with a view to lighten the burden all round and for preventing or minimising tax evasion and corruption and consequent emergence of black money, that the government should concentrate on the development of infrastructure and that the government's policy-makers should no more think of 'ceiling' but instead should think rather of 'floors' and instead of vindictively trying to impoverish the prosperous, active and progressive elements of society, should try to enrich the poorer and backward elements more directly and positively.

wide ranging

The articles in this book are supposed to cover many of Nehru's economic thoughts and his influence as well as major aspects of policy influencing India's economic growth. They cover a wide range of topics ranging from agriculture and industry to monetary and credit policies and pollution of the environment.

V.K.R.V. Rao in his article has made a distinction between two alternative concepts of mixed economy—one in which the role of the public sector is to provide external economies to the fast-growing private sector and the other in which the state has the control of strategic points of the economy which are used as the commanding heights for determining the main direction of development of the economy. Dr. Rao has maintained that "economic sanctions against the private sector would be politically acceptable in India and economically justifiable, only if the performance of the public sector shows qualitative improvement both in terms of economic efficiency and social welfare."

V.M. Dandekar's wide-ranging analysis which touches on many important issues of public policy concludes on a specific note that democratic socialism can succeed only if profits of political office are abolished by continuously keeping the public informed of the affairs of the 'politicians and disqualifying persons having wealth and income above a prescribed level from standing for any election.

Essential supplies

L. K. Jha has dealt with the problem of inflation. After pointing out the dangers and the futility of trying to fight inflation through fiscal and monetary policies alone, Jha deals with the question of stepping up supplies particularly of essential goods. The question according to him is not one of giving priority to agriculture over industry or to consumer goods over heavy industry but to ensure that what is regarded as the minimum needs of current consumption is taken care of first.

M.V. Madane in his critical analysis of 'Cooperative Growth in Indian Economy' has cited Nehru as being clearly opposed to government control over cooperatives The All-India Rural Credit Survey which advocated and introduced state partnership in and governmental control over cooperatives to protect the alliance of the weak against the strong was however in no position to ensure that cooperatives would in fact be the true friend of the poor.

Uma Lele surveying 'The Role of Credit and Marketing Functions in Agricultural Development' has stressed that there is overwhelming evidence that institutional credit has gone largely to the relatively rich farmers resulting in increasing income and wealth disparities. R. Bandyopadhyay has also referred to an undesirble bias of institutional finance agencies in favour of big farmers and developed regions.

The editor has collected all sorts of articles and has made a hotchpotch of them all in this book. There are articles written and published by well-known persons like Robert McNamara, Ursula Hicks and others which find their place here alongside many other articles by very junior authors who would not find place even in college miscellany. The editor's claim that the economic ideology of Panditji has been examined in the context of India's planning and development and that this series "provides an analysis of Nehru's thoughts and ideas" is only partly true. Ashok V. Bhuleshkar will have to completely revise his ideas regarding editing of books, if he wants his labour not to go waste. This book provides an example of how undeniably stupendous labour can produce a book which is almost exasperating with hardly any new ideas in it. It is the same old wine in a new bottle with the price which is almost prohibitive.

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The Disadvantaged Pre-schoolers in Greater Bombay: Mandakini Khandekar; Somaiya Publications; Pp. 472; Price Rs 60.00.

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Economic Theory and Practice in the Asian Setting: *Volume 2*: *Microeconomics*: Edited by Committee on Economics Teaching Material for Asian Universities; Wiley Eastern Ltd; Pp. 170; Price Rs 24.00.

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TRADE WINDS

eased Industrial duction

KING AT a meeting of the m of Financial Writers, C. Subramaniam stated that oreign investment would be ned mainly to areas where antial exports were possi- Foreign know-how would rought if only it permitted lopment of indigenous nology, which improved n foreign know-how. Mr ramaniam indicated that the rnment would utilise only future compulsory deposit uing from July onwards nenting the Plan resources. deposit money impoun- in the past would not be by the government. Mr ramaniam expected the in- rial production to register owth rate of 8 to 10 per in 1976-77 as against the 6 per cent increase in the ent year. Necessary mone- backing would have to be n for production purposes. ndicated that although food fertiliser purchase opera- s by the Food Corporation India would increase be- s other requirements neces- ing larger bank funds, "I not think our monetary ex- sion will be uncontrolled".

e foodgrains buffer-stock ation could not be consi- d inflationary as the buffer- k was a "Safeguard" aga- inflation. Mr Subramaniam d that Rs 600 crores of the ease creidit expansion so n the current year was ac- nted for by the food pro- ment operations. "Our cy is to buy whatever food- ns and other critical com- ities are available at sup- prices". Holding of food ks was more of a valuable urce than even gold because it could be employed to bring down market prices. The Finance minister felt that instead of continuous fall in prices, there must be some stability of the price level. But some manufactured products, like cotton textiles, did not reflect the fall in raw material prices.

European Currencies

At the Rambouillet meet in November last, the heads of European states had agreed to intervene in currency market in order to prevent disrruptive movements in exchange rates. Recently, however, these currencies have been posing considerable problem and some of them have experienced wide fluctuations. Speculative buyings of the West German mark brought pressure on the European joint floating arrangements—the snake. The weakest snake members—the Belgian franc and the Danish krone—remained under considerable pressure so that at some stage some kind of realignment will become necessary. Even the Norwegion currency has been affected. The Italian lira also has suffered. The pound sterling has reached a new low, and has suffered depreciation in terms of dollar.

Although Britain is making desparate attempts to control inflation within the country, the impact of the decline in exchange rate is bound to make that task difficult. France had decided to pull out of the joint arrangement and the franc slipped against the German mark. It has dropped some five per cent against the mark since it left the snake. The Swiss franc, however, has shared the strength of the mark in Europe. In this whole episode the US dollar was indirectly affected and slipped slightly.

The pressure on currencies subsided after an assurance by the joint member countries of the snake that they would continue to defend their current exchange rates. The Italian lira has regained some strength following certain internal measures in the form of a package which include an increase in the prices of petrol and an increase in the value added tax (VAT) on motor cars. The discount rate was increased from 8 to 12 per cent so that the commercial banks' term rate also goes up. A series of measures have also been taken in Belgium. The bank of Norway also intervened to support the Norwegian krone as it moved towards the floor of the european currency snake. The bank's currency department stated that they could carry on for another month, if necessary, at the same support level. The Dutch Finance minister in The Hague also rejected a revaluation of the currency.

U.P. Budget

A number of measures to reduce the deficit from Rs 70.67 crores to Rs 16.15 crores were announced by the Uttar Pradesh chief minister Mr N.D. Tiwari, who also holds the Finance portfolio, while presenting the state budget for 1976-77 recently. Revision and rationalisation of sales tax rates acting as an incentive for increasing the turnover and production is expected to bring in an additional revenue of Rs 6.40 crores. It is proposed to levy purchase tax on industrial alcohol and strengthen the administrative machinery of the Excise Department to check tax evasion, smuggling and illicit distillation and auction foreign liquor shops to yield an additional revenue of Rs 5.90 crores. The rates of various departmental fee fixed long ago will be revised to yield an additional income of Rs 5.50 crores. Court fee and registration fee will be revised upwards to yield Rs 2.50 crores. It is proposed to levy tax on vacant land in urban areas which would yield an income of Rs 2 crores. It is also proposed to levy tax on purchase of animals, cattle etc. in village markets and fairs. This is likely to yield an additional revenue of Rs 1.85 crores.

Mr Tiwari also hinted that some other proposals might be brought for additional resources mobilisation in the course of the year. All these measures were likely to yield a total revenue of Rs 24.15 crores. The chief minister announced that the earlier decision to auction foreign liquor shops was proposed to be implemented. The budget estimates receipts on revenue side at Rs 950.42 crores, on capital side Rs 312.04 crores and on public account side at Rs 55.33 crores, totalling Rs 1,317.79 crores. The expenditure on revenue side was estimated at Rs 901.53 crores and on capital side at Rs 408.62 crores, totalling Rs 1,310.15 crores. Taking into account the minus opening balance of Rs 78.31 crores, the year was estimated to end with a closing balance of Rs 70.67 crores.

IDBI

The Industrial Development Bank of India is being given a new look. The bank will in future address itself principally to promotion of projects which are in consonance with current national priorities and social objectives. This was made clear both in the inaugural address of Mr Pranab Kumar Mukherjee, union minister for Revenue and Banking, at the first board meeting of the restructured IDBI. The main thrust of the bank's programme would be on the development of industrially backward regions, encouragement of small and medium scale entrepreneurs, a wider dispersal of industrial ownership, export promotion and import substitution. The minister cautioned the IDBI that care would have to be taken to ensure that development was even. Mr Mukherjee pointed out that the IDBI has been vested with the power of "monitoring the health of the units with a credit information system", so that sickness is detected at an early stage and the health of the assisted units does not get irreversibly damaged.

Mr Raghu Raj, the chairman of the bank stated that the IDBI would start negotiating with the World Bank for a total foreign exchange credit for $89 million. Of this, about $40 million would be meant for assistance to small scale units to be disbursed through the stated financial corporations and industrial development corporations, about $24 million would be as special line of credit for three fertiliser projects. Mr Raghu Raj indicated that of a total credit of Rs 103 crores granted to commercial banks up to the end of September last, utilisation has been hardly about Rs 38 crores. The IDBI does not interfere with the discretion enjoyed by banks in the sanctioning of credit to clients under this scheme.

Ceiling on Term Loans

The Reserve Bank of India has prescribed a ceiling of 14 per cent on interest on term loans granted by scheduled commercial banks to industry for a period of not less than seven years. The ceiling is to be effective from April 1. The celling has been fixed in recognition of the need for further stimulus to long-term investment in capital assets. Taking note of the escalation in costs of industrial projects, the union Finance minister has already proposed to exempt the interest received by bank on long-term granted to industry for purchase of plant and machinery from interest tax levied under the Interest Tax Act, 1974. The rate of interest on term loans between three and seven years will, however, continue to be 15 per cent, (inclusive of the interest tax on advances). It may be pointed out that in his letter of November 1, 1975 to banks, the governor of the Reserve Bank of India had indicated that it would be desirable if banks were to charge a rate of interest not exceeding 15 per cent on term loans for periods, beyond three years.

Inter-Bank Call Rates

The decision of the Indian Bank's Association to lower the ceiling on inter-bank call rate from 15 per cent to 12.5 per cent is a sequel to the recent fixation of the ceiling on lending rates of banks at 16.5 per cent. The ceiling of 12.5 per cent per annum which is effective from March 29 is applicable to overnight call money and for notice money for all periods up to and inclusive of notice of 14 days. The IBA has not fixed any ceiling on inter-bank deposits for periods beyond 14 days. It has, however, appointed a committee to consider rates of interest paid by banks by inter-bank deposit beyond 14 days.

Car Prices

Through an all-round cut in profit margins, the government persuaded the passenger car industry to cut prices by about Rs 4,000. The extra cut of about Rs 2,500 over and above the reduction of about Rs 1,500 through excise relief given in the central budget recently is to be borne by the manufacturers, the dealers and ancillary suppliers. About Rs 200 to Rs 300 is also accounted for by a concommitant reduction in the sales tax burden. The price on road in Delhi of Premier Padmini has been cut to Rs 32,904 from Rs 36,941—a reduction of Rs 4,037—and that of Ambassador to Rs 32,170 from Rs 36,331—a reduction of Rs 4,160. The Standard Motors has agreed to further cut their Gazel price over and above that made last month and its price on road in Delhi will now be Rs 25,941 against Rs 27,900. These prices are inclusive of excise, dealers' commission, central and states sales tax, transportation charges, registration and insurance. The new prices came into effect immediately.

Margins on Sterling Sales

Banks dealing in foreign exchange have been told by the Reserve Bank to reduce their margins on sterling sales and purchases. The Reserve Bank also wants the banks to quote a uniform selling rate for both TT and BC transactions. The TT rates are applied by banks to clean remittances, including dividend remittances. The BC selling refers to import bills for collection and bills received under letters of credit.

Indo-US Trade

US investment possibilities in India and Indo-American trade were discussed at a two-day meeting of the sub-commission on economic and commercial affairs of the Indo-US joint commission. The meeting which was held in New Delhi recently also had on its agenda a study of the possibilities for ventures in third countries. This was the second meeting of the sub-commission. It followed up problems thrown up at discussions on trade and investment during the meeting of Indo-US joint business council held here last month. Official sources stated that the Indo-US — sub-commission covered a wide range of issues relating to economic relations between the two countries.

World-Trade

The volume of international trade fell by about nine per cent in 1975, the first significant decline in post-war period, and a modest recovery of about five per cent is likely in 1976, according to the annual survey published by the UN Economic Commission for Europe. Recent reports for IMF and GATT, on world trade, in 1975, also confirm that international trade increased only moderately in value and suffered a decline in terms of volume. The GATT estimate is that the decline in volume was six per cent in 1975. While forecasting recovery in real terms in 1976, GATT secretariat stated that it was not clear whether the volume would regain the
level. World commodity
put also declined in 197
the first time in the pos
period, by an estimate
per cent. According to IM
port, the industrial cou
as a group increased th
port value by 6.1 per ce
1975, from $503.3 billio
1974 to an estimated
billion in 1975. The percer
increase was 34 in 1974
they managed to keep
the import value at the
level of $544 billion as in
as against the 40 per cen
crease from 1973 to 1974.

National Permits

A total of 482 national
mits have been issued so
The West Bengal governn
has granted 237 pern
Haryana 200 and Bihar
The scheme of national
mits, one of the 20 point
the economic progran
announced by the prime mi
ter, aims at reducing co
traints on the movement
public carriers throughout
country. Under the sche
the national permit holder
be able to operate his veh
from Kashmir to Kerala
from Tripura to Gujarat.

NPCC

The National Projects Co
truction Corporation
achieved an all-time rec
outturn of Rs 11.4 cro
during 1974-75, which is
per cent more than the p
vious year's output and
most three times that
1970-71. The increase in o
turn had been achieved wi
out an addition to the num
of employees and desp
rising cost of material a
labour as well as logistic d
culties. The annual rep
for 1974-75 of the corporat
was laid recently on the ta
in the Lok Sabha by Pr
Siddheshwar Prasad, dep
minister for Energy.

The corporation earne
profit of Rs 55.46 lakhs dur
the year under review, af
meeting in full, the expen
ture on establishment, p
ment of interest charges

ng the other essential sions. This represents nificant increase in pro- lity against Rs 25 lakhs 73-74. The corporation n was set up in 1957 had ed profits totalling 85 crores during the first ears, out of which Rs 40 s were distributed as lend.

uring the year under report, the NPCC completed the works on Pench Masonry Dam in Maharashtra state and also those relating to Upstream Navigation Lock, Bhagmari Trash Rack and Kalindri Regulator of the Farakka Barrage Project in West Bengal. It also secured additional works of the value of Rs 3.86 crores in the states of Jammu and Kashmir, Manipur and Sikkim. The improvement in the working of the corporation is expected to be maintained in 1975-76.

Fertilisers Output

The operating fertiliser units in the country have crossed the 1.5 million tonne of nitrogen-mark to achieve for the first time in 10 years the previously announced production target for the year 1975-76. The target had been set after due consultation with all fertiliser production units in the public, private and cooperative sectors. The total production at the end of the current financial year on March 31, 1976 is expected to be 1.535 million tonnes of

ARE YOU RESPONSIBLE FOR PAYMENT TO WINNERS OF LOTTERIES, CROSS-WORD PUZZLES?

ENSURE that you
DEDUCT Income Tax at the prescribed rates on payments exceeding Rs. 1,000 and
PAY the tax so deducted to the credit of the Central Government within prescribed time.

Rate of deduction of tax		In the case of
Income Tax	*Surcharge*	
30%	3%	(i) a person other than a company:
30% (or the higher rate applicable in his case)	3%	(a) where the person is resident in India
30%	3%	(b) where the person is not resident in India
		(ii) a company:
70%	3.5%	(a) where the company is a domestic company
		(b) where the company is not a domestic company

WHAT HAPPENS, IF
YOU DO NOT DO SO

You will render yourself liable to:

- recovery of the unpaid tax;
- interest and penalty, and shall, on conviction, be punishable with FINE and RIGOROUS IMPRISONMENT for a maximum period of

(i) 7 years, but not less than 6 months, where the amount involved exceeds Rs. one lakh;

(ii) 3 years, but not less than 3 months, in other cases of default.

REMEMBER

COMPLIANCE WITH TAX LAWS
HELPS YOU AND THE NATION TOO.

Issued by:
Director of Inspection
(Publications & Public Relations)
INCOME TAX DEPARTMENT
NEW DELHI

nitrogen representing a production growth rate of approximately 30 per cent over the 1974-75 production of 1.185 million tonnes.

The additional production of about 350,000 tonnes will not only have helped surpass marginally this year's target but will also have saved the country Rs 75 crores in foreign exchange at the existing international prices of imported nitrogenous fertilisers. The capacity utilisation of the industry during this year vastly improved from 58 per cent in 1974-75 to 70 per cent primarily due to better maintenance and better management. The most spectacular improvement came about in the working of 11 public sector fertiliser plants which produced 534,000 tonnes of nitrogen last year but have up to date produced 704,000 tonnes and would be completing the current year with a total production of 718,000 tonnes, marking an increase of 35.3 per cent over the previous year's production.

New Plants

During the year two new plants and one existing expanded unit went into operation—the big 258,000 tonnes, SPIC plant at Tuticorin started production in June 1975, the 51,000 tonnes Gorakhpur expansion in October 1975 and the 160,000 tonnes Mangalore Chemicals and Fertilisers Plant at Mangalore in March 1976. With the commissioning of these plants the total installed capacity in the country rose from 2.2 million tonnes to 2.669 million tonnes. It will further go upto 2.973 million tonnes within the next two months when the Namrup expansion and Barauni fertiliser plants are expected to be commissioned.

In all, there will be five more fertiliser units which after commissioning are expected to add during 1976-77 another 359,000 tonnes to the present nitrogen capacity to raise it to 3.028 million tonnes. These plants are—Namrup Expansion Barauni, Cochin Phase II, Madras Expansion and Vizag. Other fertiliser plants currently under construction are two National Fertiliser plants at Bhatinda and Panipat and the FCI plants at Nangal (Expansion), Talcher, Ramagundam, Haldia Sindri (Modernisation) and Trombay IV. When all these plants come up the total installed capacity for nitrogen in the country would go up to 4.69 million tonnnes.

Drug Price Revision

The government has decided to allow drug manufacturers to revise the existing retail prices of medicines regulated under the Drugs (Prices Control) Order, 1970 to the extent of additional excise duty levied in the budget proposals from March 16, 1976. The new prices would be applicable only to those batches which have been cleared by the excise authoritities. Excise duty on some of the patent and proprietary medicines and medicinal preparations containing alcohol, narcotic drugs and narcotics were increased from March 16.

The drug manufacturers have been asked to intimate immediately the revised retail prices fixed by them to the Bureau of Industrial Costs & Prices along with a certificate about the quantum of excise duty from the authorities concerned. It has been made obligatory on the parts of the manufacturers to reduce the prices of drugs if at any time the excise duty were reduced or withdrawn. They have been asked to inform the ministry of Chemicals & Fertilisers and the Bureau of Industrial Costs & Prices accordingly about such reduction. The revised price list required to be furnished to dealers by the manufacturers under the Drugs (Prices Control) Order would contain the batch numbers to which the revised prices are applicable. No dealer, wholesaler or retailer would be permitted to charge the revised price on the batches released to them before March 16 when additional excise duty was not paid.

India-Upper Volta Cooperation

Agricultural experts from Upper Volta may visit India shortly to study the advances made by this country in several agricultural fields, particularly dry-farming techniques; improvements in sugarcane and catton and small and medium-scale food preservation techologies. Similarly Indian agricultural scientists may also go to Upper Volta.

The exchange of agricultural experts and scientists between the two countries for mutual benefits was mooted during discussions between the visiting minister of Commerce of Upper Volta Mr Emmanuel Zo ma and the union minister for Agriculture and Irrigation, Mr Jagjivan Ram, recently. The two ministers discussed the agricultural situation in their countries including the problems of animal husbandry and identified several points of common interest in respect of research on cereals as well as cashcrops and in developing better varieties of milk-yielding cattle.

Engineering Exports

The direction of India's engineering export has been broadened considerably over the recent past. In 1956-57, nearly 73 per cent of these supplies were directed to Asia. In 1974-75 Asia absorbed only 58 per cent. European customers which were not aware of the quality and price competitiveness of the Indian products imported worth only 0.2 percent in 1956-57 but their purchases increased to as much as 17 per cent in 1974-75. Similarly, America absorbed 0.36 per cent in 1956-57 but 8.26 per cent in 1974-75 while the supplies to the co-developing countries are maintained over the years, though at a retarded pace, the engineering products of India are fast catching up the imagination and demand of the western customers.

Out of the 58 per cent of engineering exports t Asian markets, during 19 South East Asian co absorbed about 27 pe and West Asia accounte nearly 31 per cent. Impo of the West Asian mark recent times, particula the wake of the interna oil crisis, is obvious in I export trade. The su from India have conside increased in recent ye Rs 255 million in 19 Rs 312 million in 19 Rs 477 million in 1973-74 Rs 1089 million in 1974-7

West Asia

The leading buyer c engineering items from in West Asia is Iraq (Rs million in 1974-75); lowed by Iran (Rs 168 mill In fact, Iraq and Iran tog accounted for more than of the West Asian purch in 1974-75. The major duct-range that Iraq impo in the year, included pipes and tubes and fit (Rs 242 million), water sanitary fittings, diesel eng and parts, electric wires cables, automobile equipm bicycles, electric switchg andm otors, electric acce ries and appliances, air-co tioners, wire ropes, cinem graphic machinery, and cultural sprayers. Ira purchases mainly center ro diesel engines and parts, s and spare parts, MS p and tubes, steel struct fabrication, railway wag and equipment, bright b hardware, hand tools, a mobiles and parts, bicy and accessories, electric w and cables.

Other major West A customers are—Saudi Ara UAE and Kuwait. Sa Arabian imports are predo nantly related to di engines and MS pipes, w UAE mostly purchases s pipes and tubes, automob and equipment, electric w and cables, and other gen tion and transmission eq ment. Kuwait is an impor buyer of electric wires cables, besides fans and conditioners and refrigerat steel pipes, wire ropes diesel engines.

COMPANY AFFAIRS

rat Commerce

DIRECTORS of Bharat Com-
e and Industries Ltd have
red a higher equity divi-
of 15 per cent for the
ended December 31, 1975
ainst 12 per cent paid for
74.Out of the proposed
end, seven per cent will
id after the annual gene-
eeting while the balance
ght per cent will be paid
vo equal instalments on
red basis. Net sales during
ear recorded a handsome
of 15 per cent to Rs 42.08
s from Rs 36.50 crores
74, but gross profit declin-
arply from Rs 4.84 crores
s 1.92 crores. Out of the
profit, the directors have
opriated a sum of Rs 55.92
to depreciation reserve
gainst Rs 49.80 lakhs in
.

tax liability for 1975
stimated at Rs 63.00
. The net profit after
and other allocations,
unted to Rs 67.96 lakhs.
other adjustments the
osable surplus amounted
s 69.36 lakhs. The pro-
d equity dividend will
rb Rs 37.50 lakhs while
dividends on the second
the third redeemable cu-
tive preference shares will
n Rs 4.23 lakhs, while a
of Rs 27.57 lakhs was
sferred to the general re-
.

tury

entury Spinning and Manu-
uring Company which has
nsively diversified its manu-
uring activities during pas-
years, has now embarked
further ambitious diver-
ation programmes. It has
noted an export oriented
ronics project for the
ufacture of electronic

watches and other products in the Santacruz Electronic Export Processing Zone. The new company will manufacture electronic watches and C/MOS-LSI Arrays in technical and foreign collaboration with Chronar Corporation INC of the USA. The foeign collaborators who will provide the technical know-how for the project, will also take up 25 per cent of the equity capital of the new company. Century will also participate to the extent of 25 per cent of the equity of the new venture. The balance of 50 per cent will be offered to the US company. The initial paid up capital is likely to be around two crores of rupees.

New Projects

The company, subject to the acceptance of certain proposals by the government, plans to undertake a Rs 70-crore newsprint, paper and rayon pulp project. The company has received revised letter of intent to set up a paper and pulp project in Uttar Pradesh for the manufacture of 20,000 tonnes each of newsprint, writing paper and rayon pulp.

Meanwhile efforts are being made to raise the capacity utilisation of the company's cement plant which commenced production in 1975. In spite of the best efforts of the management it has been able to achieve so far productivity to the extent of about 80 per cent of the rated capacity. Serious efforts are being made to achieve full production by rectifying the defects and deficiencies. As the quality of the product is excellent it has been well received by the market. As far as the Maihar Cement Project is concerned necessary steps are being taken to implement the project with a capacity of 7.5 lakh tonnes per annum.

Premier Cable

The Premier Cable Company has reported satisfactory working results during the 18-month period ended September 30, 1975. The company has earned a profit of Rs 55.54 lakhs after providing for depreciation including arrears and development rebate reserve. After wiping out the accumulated loss of Rs 8.30 lakhs and after meeting preliminary expenses to the tune of Rs 13,493 and share issue expenses of the order of Rs 2.51 lakhs, there was a surplus of Rs 44.60 lakhs which has been carried forward to the balance-sheet. Sales during the period at Rs 9.16 crores recorded a significant increase as compared to the performance during the previous year. The company takes pride that these gratifying working results have been achieved in spite of the recessionary trends in the industry. Export sales during the period too was commandable as it touched a new record of Rs 56.72 lakhs.

The period under review was one of acute shortages and high prices of principal raw materials. The scarcity conditions that prevailed during the previous years in the case of E.C. grade aluminium continued to be the same although it had improved considerably after the recent remedial measures taken by the government. It had the effect of pushing of prices, excise duty and other levies. In case of PVC, after the inordinate spurt in the prices subsequent to the hike in oil prices, has now found its own level at a slightly lower rate. The directors are of the view that unless some effective measures are taken to stimulat demand for cables and wire by government the coming period would be one of stress and strains.

Indian Cable

In April 1975, Indian Cable Company Ltd (INCAB) completed the shipment of its first order for 50 KM 10 KV Aluminium PILC Cable; which was followed by orders for 40 KM and 150 KM of same cable from Messrs. Raznoimport, Moscow and about 90 KM of this cable has already been shipped. The above orders have brought in export earnings of over Rs 230 lakhs.

In South East Asia, having completed an order worth Rs 22 lakhs for 11 KV Aluminium PILC Cable on schedule, for Sarawak, the same customer has placed a repeat order. In Indonesia INCAB has just had a breakthrough and would shortly be shipping 20 KV Aluminium PILC Cable and joint boxes. For the oil-rich Sheikhdom of Qatar, INCAB has completed a shipment of Rs 34 lakhs worth order for 1 KV Copper Conductor PILC Cable and jointing accessories. For Kuwait where INCAB had their first breakthrough in the Gulf, an order for Rs 260 lakhs of Aluminium PILC Cable was obtained for Cable Consortium. INCAB engineers and jointers have recently returned completing an assignment with the ministry of Electricity, Kuwait, where they assisted their Kuwaiti counterparts in the technique of Aluminium Cable Jointing.

INCAB will also shortly supply 33 KV/11 KV PILC Power Cable and 1.1 KV PVC Cable valued over Rs 40 lakhs to United Emirates for carrying out large scale electrification programmes in that area. All this points to a steady growth of INCAB's performance in the export field. Its products have come to be recognised as equal in quality and technical perfection to the best in the international market. To date the company has exported its products worth over

13.50 crores to 35 countries
ound the world.

runa Sugars

Aruna Sugars has reported
tisfactory progress during the
ar ended September 30, 1975.
uring the year it crushed
06 lakh tonnes of cane as
gainst 4.04 lakh tonnes in
e previous year and produc-
d 3.43 lakh bags of sugar as
ompared to 3.19 lakh bags in
973-74. The average recov-
ry too was substantially
igher at 8.45 per cent as
ompared to 7.91 per cent in
973-74. The turnover during
he year recorded a smart rise
o Rs 9.05 crores from Rs 8.31
crores in the preceding year.
However, the profit before depreciation and development rebate reserve was slightly lower at Rs 49.63 lakhs as against Rs 59.75 lakhs in 1973-74. After providing Rs 31.11 lakhs for depreciation, the net profit amounted to Rs 18.52 lakhs as compared to Rs 29.70 lakhs in 1973-74.

After other adjustments, the disposable surplus amounted to Rs 39.31 lakhs as compared to Rs 29.89 lakhs in the earlier year. Out of this, the directors have appropriated Rs 2.50 lakhs to development rebate reserve as against Rs 10.00 lakhs in 1973-74, while the transfer to reserve for molasses storage fund was enhanced from Rs 0.52 lakhs to Rs 0.56 lakhs. The allocation to general reserve was reduced from Rs 19.27 lakhs to Rs 10.00 lakhs. The balance of Rs 4.79 lakhs has been carried forward to the next year's accounts. The directors have proposed a dividend of 9.5 per cent on preference shares which claimed Rs 1.43 lakhs, the same as in 1973-74. The directors, however, have skipped the dividend on equity shares.

Camphor and Allied Products

The Camphor and Allied Products Ltd has produced 875 tons of camphor, during 1975 which is about 12 tons less than in 1974. However, almost in all other items, the plant operated much below the installed capacity mainly due to the lack of demand.

It is gratifying to note that in spite of all-round recessionary trend, there was a marginal improvement in net sales to Rs 4.97 crores. However, the profit before taxes for the year declined to Rs 95.52 lakhs from Rs 122.78 lakhs in the previous year, mainly due to the increase in the cost of manufacture by way of increase in the cost of raw materials, fuel, electricity and other incidentals.

The directors have recommended payment of dividend of Rs 15 per share amounting to Rs 13,50,000 on 90,000 equity shares of the company, subject to the deduction of taxes at source. This dividend, when approved by the general body, will be paid out of the general reserve No. 1, Out of dividend of Rs 15, the sum of Rs 12 per share will be paid after the annual general meeting and the balance of Rs 3 per share will be paid in two equal instalments on deferred basis.

Diversification

During the year under review, the company has completed the installation of the plant for the manufacture of paramenthane hydroperoxide and sodium acetate and both the plants were commissioned during December 1975. With this, the entire diversification project for which convertible bonds were issued, was completed.

The total capital cost incurred on diversification project has amounted to Rs 123.80 lakhs.

During the year under review, the company issued 10 per cent unsecured convertible Bonds of Rs 50,00,000, which were over-subscribed and have been allotted on the basis approved by the stock exchange.

The company has also availed of the additional foreign exchange loan of U.S. $ 75,424 from the Industrial Credit and Investment Corporation of India Ltd to meet the cost of the PMHP plant.

Bayer India

During the year 1975 sales of Bayer (India) Ltd have increased by 16 per cent from Rs 21.8 crores to Rs 25.3 crores. The company's margins were under pressure and the profitability of the company could not improve in proportion to increased sales. The pre-tax profit of the company for the year is Rs 4.95 crores (+6%) as against Rs 4.66 crores in the previous year, after considering provision of depreciation Rs 86 lakhs (Rs 59 lakhs) and development rebate Rs 1.15 lakhs (Rs 5 lakhs). Since company is eligible for initial depreciation allowance at the rate of 20 per cent on its investments in pesticides production/formulation plants made during the year, the tax liability of the company has been substantialy reduced to Rs 2.60 crores (Rs 3.12 crores), resulting into increase in after tax profit from Rs 1.54 crores to Rs 2.35 crores (+53%).

The directors have recommended a dividend at 18 per cent (Rs 18 per share), of which Rs 12 per share will be paid immediately after the annual general meeting and the balance of Rs 6 per share will be paid in two equal instalments on July 7, 1976 and July 7, 1977 with interest at eight per cent. During the year under review, company has allotted 32,250 new equity shares which will be eligible for pro rata dividend i.e. 2/3. The directors have also recommended the issue of bonus shares in proportion of nine equity bonus shares against 10 existing equity shares of Rs 100 each. These bonus shares will be issued subject to shareholders approval and the government.

Atul Products

Atul Products has reported impressive improvements in its working results during the year ended December 31, 1975. Net sales jumped to Rs 34.93 crores from Rs 27.71 crores,
while gross profit recor
smart rise to Rs 7.08
from Rs 6.02 crores in
The encouraging worki
sults have enabled the dir
to enhance the equity div
to 20 per cent from 17 per
paid for in 1974. Out of th
posed dividend, 12 per cen
be paid immediately whi
balance will be paid on de
basis.

Out of the gross profi
directors have appropria
sum of Rs 1.09 crores t
preciation reserve as ag
Rs 1.10 crores in 1974,
the allotment to develop
rebate reserve was red
from Rs 16.00 lakhs to Rs
lakh. Taxation absorbed
3.99 crores as comp
to Rs 2.83 crores in the e
year. The net profit,
these allocations, was
higher at two crores of ru
as against Rs 1.93 crores a
ago. The dividend will c
Rs 98.40 lakhs, Rs 1
lakhs more than in 1974.

Polymers Corporati

Polymers Corporation
Gujarat Ltd—a subsidiar
Gujarat Industrial In
ment Corporation Ltd—is
plementing its indus
licence for manufacture
methyl methacrylate m
mer—5000 tonnes, polym
methacrylate pellets—1500
nes and polymethyl meth
late sheets—2000 tonnes
nually. It is going ahead
its schedule to complete
construction, erection
plant and machinery,
production and starting
mercial production by
1978.

The raw materials for
project would be hydroc
acid, a by-product from
acrylonitrile plant of In
Petro-Chemicals Corpor
Limited (IPCL)—which o
wise would have to be incin
ed resulting in a loss of a
Rs 1.5 crores annually.
The development of
industry would save the c
try foreign enchange use
importing monomer as
as PMMA sheets and s
The saving in fo
exchange is expected to

order of about Rs 1.00
per annum. It is also a
ct which can earn subs-
al foreign exchange by
rts of its products. There is
oligation to export goods
h Rs 3.00 crores within
riod of five years as per
ition stipulated under the
strial licence.

chnical collaboration
ement has been entered
Mitsubishi Rayon Co
(MRC) of Japan. MRC
one of the world's leading
ufacturer of MMA pro-
s. As per the technical
aboration agreement ap-
ved by the government of
a, the collaborators will
complete know-how and
c engineering documenta-
and will assist PCGL dur-
designing, erection, com-
ioning and operation of
plant.

ven though acrylics have
ous superior qualities com-
d to other plastics, selling
e-wise also it is cheaper
the sophisticated plastics.
ther, no other project for
manufacture of acrylics is
ected to come up in the
r future in the country.
ce PCGL may not expe-
ce any difficulty in market-
its products.

ews and Notes

Ir K.K. Modi, Vice Chair-
n and President of the
di Group of Industries,
dinagar (UP) has been
cted Chairman of the All
ia Manufacturers' Organi-
on, (UP State Board)
1976-77.

he Bharat Heavy Electricals
nited has undertaken to
nufacture and supply com-
e electrical equipment re-
red for the expansion pro-
mme of the Bhilai Steel
nt. The equipment is due
delivery to the Bhilai Steel
nt by the middle of 1978.
EL's scope of supply
ludes 129 sets of highly
histicated power thyristor
verter equipment and the
tching DC motors and con-
l panels. While the thyristor
ipment would be supplied
m the Bhopal unit of
IEL, the motors and control
uipment would come from
BHEL's Hardwar unit. BHEL is also supplying electrics for the re-heating furnace mechanism of the Bokaro Steel Plant. Similarly, the Rolling Mill Fabrication Complex of the Bharat Aluminium Plant at Korba is being equipped with thyristor converters under supply from BHEL, Bhopal.

The government of Maharashtra presented a special award to **Tatas** recently for their outstanding work towards increasing the small savings collections in Maharashtra state. The award was presented by Mr Shankarrao Chavan, chief minister of Maharashtra to MrM. H. Mody, Director, Tata Industries Limited.

Export Promotion

The **Leather Salon,** the first of its kind in the country, at Madras, displayed only non-traditional items—finished leather and leather goods between March 13-15. As an experiment it was a tremendous success.

In spite of the initial reluctance of the local manufacturers to participate in something totally new and the comparative lack of time for organising, there were a number of parties: and their decision was justified, the business being very good. In all they have conducted in three short days business worth Rs 1 crore.

There was an encouraging response from Europe, Japan, Australia and the US, particularly Europe: and in view of the very limited publicity and time, the results were gratifying.

On display were a variety of finished skins, handbags, travel accessories, uppers, shoes & sandals, sport sgoods and various other leather goods. This Salon showing such potential, the Leather Club plans to hold it every year, either in January or in March.

At its meeting held on March 19 the board of Indian Oxygen Limited appointed **Mr K.D. Moore** as Managing Director of IOL with effect from May 15, 1976 subject to the necessary approval from the government. He is currently Head-Overseas Services, BOC International Limited, London.

It may be recalled at **Mr K. Hartley**, Chairman & Managing Director of IOL, died suddenly on November 20, 1975. On November 28, 1975 **Mr R.C. Hesketh-Jones** was appointed Chairman of IOL but the post of managing director remained vacant.

Mr K.D. Moore is not new to India. He served with the Indian Army from 1946 to 1947. His first appointment with the BOC Group was from December 1950 to February 1953 with IOL in Calcutta. Mr Moore is a Fellow of the Institute of Chartered Accountants (England and Wales) and has held a number of senior appointments with the BOC Group. He was appointed Deputy Chief Executive-Overseas, BOC, in Novemeber 1968, and since March 1970 has been Head-Overseas Services, BOC International.

New Issues

Bokiyu Tanneries Limited is offering to the public 180,000 equity shares of Rs 10 each for cash at par. A sum of Rs 2.50 per share is payable on application and an equal amount on allotment. The balance of Rs 5 per share shall be payable in two calls to be made by the board of directors with an interval of not less than two months between the calls and between allotment and the first call. The subscription list for this fully underwritten issue opened on March 29 and will close on April 7.

The company has an authorised capital of Rs 50 lakhs and an issued, subscribed and paid up capital of Rs 12 lakhs. The present issue is for Rs 28 lakhs, in equity shares of Rs 10 each. Out of this, one lakh equity shares of Rs 10 each are reserved for allotment to **Cibalia Vinkovci** of Yugoslavia and its non-resident nominees **Intertrade, Ljubljana,** Yugoslavia for consideration other than cash. The remaining equity capital of Rs 18 lakhs in shares of Rs 10 each, are now being offered to the public for subscription.

The company is setting up a tannery for processing of leather at Pudupakkam, in the Chingleput district of Tamil Nadu. The company has been licensed to manufacture finished leather with an annual capacity of 15 lakhs number of skins. The company has been promoted by M/s Yugo Intraco Private Ltd, New Delhi (a company incorporated under the Companies Act 1956) and Mr A. Hafeezur Rahman, Managing Partner of South East Tanning Co., Madras, who have been supplying semi-finished goat and sheep skins to foreign collaborators for processing into finished leather in their tanneries abroad for the last 13 years. The total export of such leather by the promoters runs into several crores of rupees annually.

The company has entered into an agreement with M/s Cabalia *Zinkovci*, Yugoslavia, under the terms of which the collaborators have undertaken to supply technical know-how to the company without any royalty or other charges, besides contributing 25 per cent of the equity capital in the form of plant and machinery already supplied by them. The company has made considerable progress in the implementation of the project.

Under the terms of the licence, the entire production of the company is to be exported. There is a big demand for all types of leather abroad. Moreover, the collaborators have undertaken to purchase the entire production of the company if so desired. The marketability of the company's product is thus assured.

In view of the assured market for its products, the company expects to earn sufficient profits in the form of foreign exchange to be able to pay a reasonable dividend to the shareholders for the second year of their going into commercial production. This issue is being made for the purpose of meeting a part of the project cost estimated at Rs 97 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Equity dividend declared for Previous year
Higher Dividend			
Morarjee Goculdas	June 30, 1975	20.0	11.5
Orissa Cement	Dec. 31, 1975	20.0	10.0
Woolcombers of India	Dec. 31, 1975	8.0	2.0
Phillips Carbon Black	Nov. 30, 1975	16.0	12.0
Gammon India	July 31, 1975	8.0	5.0
Jain Tube Co.	July 31, 1975	18.0	12.0
Porrits and Spencer	Sept. 30, 1975	16.0	11.0
Atlas Copco (India)	Dec. 31, 1975	16.0	12.0
Kasturi & Sons	June 30, 1975	10.0	3.7
Same Dividend			
Asian Cables	Dec. 31, 1975	6.0	6.0
Triveni Engineering	Oct. 31, 1975	12.0	12.0
Bharat Forge	June 30, 1975	12.0	12.0
Hindustan Construction	July 31, 1975	Nil	Nil
Associated Bearing	Dec. 21, 1975	20.*	20.0

*On the enlarged capital.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of January, 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Chaliha Rolling Mills Pvt. Ltd; 5 Mission Row, Calcutta. (Calcutta-West Bengal)—Bright Bars—8,000 tonnes—(COB)

M/s Sakamari Steel & Alloys Ltd; Sakamari House, 12 North Ambathari Road, Nagpur. (Nagpur Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Forging qualiy Carbon Steels; Cold Heading Quality Carbon Steels; etc.—8,000 tonnes—(COB)

M/s Besant Alloy Steel Limited, 201, Ansal Bhavan, Kasturba Gandhi Marg, New Delhi. (Thana—Maharashtra)—Mild Steel Box Strapping.—1,000 tonnes. Mild Steel Cable Armouring Tape—1,000 tonnes. Mild Steel Cold Rolled Steel Strip—4,000 tonnes. Total—6,000 tonnes—(COB)

M/s S.G. Steels Pvt. Ltd; Palace Cinema Building, 20-Roshanara Road, Delhi. (Ballabgarh—Haryana)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality carbon Steels; etc.—7,000 tonnes—(COB)

M/s Hind Wire Industries Ltd; P 16, Kalakar Street Calcutta. (24 Parganas, West Bengal)—High Carbon & Alloy Steel Wires—9,000 tonnes—(COB)

M/s Indoswe Engineers Pvt. Ltd; 5 Bund Garden Road, Poona—411001. (Poona-Maharashtra)—Copper & Copper Base Alloy, Solid Sections and Profiles—260 tonnes—(COB)

Electrical Equipments

M/s Philips India Ltd; Shivsagar Estate, Block-A, Dr. Annie Besant Road, Bombay-400018 (West Bengal)—Intercom
cation apparatus—12,000 numbers p.a.—(NA)

M/s Philips India Ltd; Shivsagar Estate, Block 'A'
Annie Besant Road, Bombay-18. (Poona—Maharash
Oscilloscopes—600 nos—(SE)

M/s Reckon Eamelled Wires (P) Ltd; 'Janki Nivas', 1
Sion (West), Bombay. (Faridabad-Haryana)—Winding
upto 41SWG.—300 tonnes. Winding Wires 42 SWG &
ner—50 tonnes. Wire Enamels—60 tonnes—(NU).

M/s Bombay Burmah Trading Corporation Lim
9-Wallace Street, Fort, Bombay (Bombay-Maharashtra) Co
tors—5 lakhs nos. p.a.—(NU)

M/s Sahney Steel & Press works Ltd; A-5, Uppal Indu
Estate, Hyderabad. (Hyderabad-Hyderabad)—Electrical
Stampings & Laminations (SE)—7,000 tonnes. Torodial
—300 tonnes—(SE/NA)

Transportation

M/s Goetze (India) Ltd; National & Grindlays Bank B
ing, Middle Circle, H-Connaught Circus, New Delhi. (Ba
lore-Karnataka)—Piston Rings—10 mill. nos.—(NU).

M/s Escorts Limited, Automotive Division, H-2, Conna
Circus, New Delhi. (Bangalore-Karnataka)—Piston & Pi
Pins—10,000,00 nos. each p.a.—(NU)

M/s Wheels India Limited 37-Mount Road, Madras.(Chi
put-Tamilnadu)—Wheels for Commercial Vehicles, Trac
Cars and Jeeps.—7,50,000 nos.—(SE)

Industrial Machinery

M/s Durametallic (India) Ltd; Dhun Building, 17
Mount Road, Madras. (Madras-Tamil Nadu)—Mechan
Scales—15,000 nos. p.a.—(NU)

M/s International Combustion (India) Limited, 101,
Street, Calcutta. (Hooghly-West Bengal)—Bowl Feeder—
nos.; Vibrator Screen—300 nos.: Syntorn (V-75) Vibrato
200 nos. Syntorn (V-200) Vibrator.—200 nos.—(NA)

Machine Tools

M/s Cooper Engineering Ltd; Construction House,
chand Hirachand Marg, Ballard Estate, Bombay. (Po
Maharashtra)—Gear Hobbing Machines—36 nos.—(SE)

Chemicals

M/s Mysore Resins & Chemicals Ltd; 16-Ist Floor,
Main Road, Jayalaxmipuram, Mysore. (Bangalore)—F
maldenyde—6,000 tonnes—(COB)

M/s Nangal Steels Ltd; 7-A, Rajpura Road, Delhi. (N
Nangal-Punjab)—Oxygen Gas—1.50 M.C.M.—(NU)

M/s Cibatul Limited, P.O. Atul, Distt: Valsad (W. R
Gujarat. (Valsad-Gujarat)—Epoxy Resins—1,260 tonnes—
(SE)

M/s Shriram Chemical Industries, Shriram Nagar, K
(Kota-Rajasthan)—Calcium Carbide—56,100 tonnes. p.a.
(SE)

M/s Andhra Sugars Ltd; Post Box No. 2, Venkatarayapur
Tanuku, W-Godavari, Andhra Pradesh. (W-Godavari-And
Pradesh)—Sulphuric Acid—24,750 tonnes.—(SE)

Mr K.K. Surekha, 4005, Raghuganj, Chawri Bazar, De
(Delhi)—Oxygen Gas—0.45 MCM Acetylene Gas—0.10 M
—(NU)

/s CIBA-GEIGY of India Wtd; 14-J Tata Road, Post Box , Bombay (Corlin-Goa)—Monocrotophos and its Forions—300 tonnes and 750 tonnes respectively—(NA)

/s Navin Fluorine Industries (Chemicals Division), The tlal Fine Spg. & Mfg. Co. Ltd; Mafatlal Centre, Nariman , Bombay. (Surat-Gujarat)—Synthetic Cryolite/Alum Fluoride—1,250 tonnes. Hydrofluoric Acid—1,000 es—(SE)

/s Sandoz (India) Ltd; Sandoz House, Dr. Annie Besant , Worli, Bombay-18. (Thana-Maharashtra)—Thioglyc Acid and its Derivatives—60 tonnes—(NA)

/s The Andhra Sugars Ltd; Venkatarayapuram, Post Box 2, Tanuku (A.P.) (Tanuku-Andhra Pradesh)—Caustic —46,200 tonnes; Liquid Chlorine—8,900 tonnes. Hydroric Acid (100%)—2,000 tonnes—(SE)

/s Tata Oil Mills Co. Ltd; Bombay House, 24-Homi Mody et, Bombay. (Gauhati-Assam)—Synthetic Detergents—00—(NU)

M/s Indian Organic Chemicals Ltd; Mehta Mahal, 15-hew Road, Bombay. (Kolaba-Maharashtra)—Acetic ydride—3,000 tonnes. Acetic Acid—3,000 tonnes—(SE)

M/s Apar (P) Ltd; 24-Sayed Abdulla Barelvi Road, (P.B.No. 2), Bombay. (Broach-Gujarat)—Calcium Carbide—14,850 nes—(NU)

Drugs & Pharmaceuticals

M/s Dey's Medical Stores (Mfg) Pvt. Ltd; 6/D, Lindsay eet, Calcutta. (Calcutta-West Bengal)—Methyldopa Tablets 8 lakhs nos. (Equivalent to 2 tonnes bulk); Indomethacin psules/Tablets.—90 lakh nos. (Equivalent to 240 Kgs. of bulk ugs).—(NA)

M/s Chemical Industrial & Pharmaceutical Laboratories ; 289, Bellasis Road, Byculla, Bombay. (Bombay-Mahahtra)—Clomiphene Citrate—500 Kgs.—(NA)

Textiles

M/s Rams Tapes & Fasteners Pvt. Ltd; 41, Jupitar Apartnt, Annesty Road, Bombay. (Dadra & Nagar Havelli)—tton Narrow Tapes—7.5 million Metres—(NU)

Paper & Pulp (including Paper Products)

M/s Rohit Pulp & Paper Mills Ltd; Rohit Chambers, oga Street, Bombay. (Khadki-Gujarat)—Paper & Paper ard—30,000 tonnes—(SE)

Fermentation Industries

M/s U.P. Breweries Pvt. Ltd; Building No. 1, New Kalkaji mple, New Delhi. (Ghaziabad-U.P.)—Beer—50,000 HL. (COB)

M/s Sakthi Sugars Ltd; 'Greenlands", 8/28, Race Course ad, P.B. No. 3775, Coimbatore. (Coimbatore-Tamil Nadu) ndustrial Alcohol—6,000 Kilo Litres—(SE)

Food Processing Industries

M/s Shree Ganesh Roller Flour Mills, Gosain Tola, Patna-13. tna-Bihar)—Wheat Products—9,000 tonnes per annum. COB)

M/s Saifco Roller Flour Mills Private Limited, Rural Instries Project Area, Pampore, Anantnag, (Anantnag, Srigar, J & K)—Wheat Products—30,000 tonnes—(NU)

Leather, Leather Goods & Pickers

M/s Inter-Continental Leathers Limited, 2-G, Nungambakkan High Road, Madras (North Arcot, Tamil Nadu)—Glove Leather—3,60,00 Sq ft: Garment Leather—22,50,000 Sq ft; Upper Leather—3,60,000 Sq ft; Lining Leather—6,75,000 Sq ft —(NU)

Ceramics

M/s Refractory Specialities (India) Ltd; Refractory House Sitarampur, Distt: Burdwan (Santhal Parganas-Bihar)—Castable Refractories all types 99% Alumina—5,000 tonnes: Plastic Refractories of all types upto 90% Alumina and Basic Compositions.—3 000 tonnes; Air Setting Cements, Ramming Meses etc.—2,800 tonnes, High Alumina Bricks—7,500 tonnes—(NU)

M/s Orissa Cement Lt; Shiv Mahal B-5/47, Connaught Place, New Delhi. (Sundergarh-Orissa)—Chemically Bonded Basic Refractories—30,000 tonnes—(SE)

Miscellaneous Industries

M/s Vijay Tobacco Industries, P-7, Mission Row Extension, Calcutta. (Broach-Gujarat)—Cigarettes—4,500 Mill. pcs.p.a. —(NU)

Letters of Intent

Industrial Machinery

Mr T.V. Govindan, 2275, Banashankeri, 2nd Stage, 35th Cross, Jayanagar West P.O., Bangalore. (Cannanore- Kerala) —Mechanical Seals—30,000 nos—(NU)

Industrial Instruments

M/s The Associated Cement Companies Limited, Cement House, 121, Maharshi Karve Road, Bombay. (Coimbatore-Tamil Nadu)—Nuclear Weigh Feeder Control System—30 nos —(NA)

M/s Akay Industries, Station Road, P B No. 86, Hubli (Hubli-Karnataka)—Gate Valves upto 24" Size.—5,000 nos; Globe Valves (manually operated) upto 24" size.—5,000 nos. —(NU)

Chemicals

M/s G.R. Patel, 22-School Avenue, Chatham (N.J.) (KFTZ-Gujarat)—Dicarbomethoxy Phenol; Dicarbomethoxy Benzene Sulphonic Acid; Similar type of Organic Intermediate Chemicals; Total : 180 M. tonnes—(NU)

M/s Balarpur Industries Limited, Thapar House, 124, Janpath, New Delhi (Karwar-Karnataka)—Sodium Tripolyphosphate—24,000 tonnes p.a.—(SE)

M/s Paushak Limited, Alembic Road, Baroda (Panchmahal-Gujarat)—Oxygen—1.00 MCM—(NA)

Mr P.C. Jhunjhunwala, Jai Bhawan, Civil Lines, Rampur (Rampur-U.P.)—Calcium Carbide—15,000 tonnes p.a.—(NU)

M/s Shriram Chemical Industries, Shriram Nagar, Kota-4. (Kota-Rajasthan)—Stable Bleaching Powder.—16,500 tonnes —(NA)

Mr P.C Jhunjhunwala, Jai Bhavan, Civil Lines, Rampur (Rampur-U.P.)—Sodium Chlorate—5,000 tonnes p.a.—(NA)

Mr R.D. Shroff, c/o United Phosphorous Pvt. Ltd; 167, Dr. Annie Besant Road, Worli Naka, Bombay. (Broach-Gujarat)—White Phosphorous—2,500 tonnes—(NU)

M/s Jayshree Chemicals Limited, 14-Netaji Subhas Road, lcutta. (Ganjam-Orissa)—Liquid Chlorine—25,200 tonnes. ydrochloric Acid —25,000 tonnes—(SE)

Textiles

M/s Paradise Industries, 11/12, Krihna Niwas, New Silk azar, Kalba Devi, Bombay. (KFTZ, Gujarat)—Art Silk abrics—7,80,000 Metres p.a.—(NU)

M/s Laxman Silk Mills, 191, Casablanca Apartments, 19th loor, 39-Cuffe Parade Road Bombay. (KFTZ-Gujarat)—rt Silk Fabric —1,80,000 Metres p.a.—(NU)

M/s Rohit Sahu, "Watika", Central Avenue, Chembur, ombay-71. (KFTZ-Gujarat)—Axminister Woven Woollen arpets—2,160 rolls of Carpets of 100 sq. yards. each)—N.U.)

M/s. Ramesh Silk Mill, 191. Casablance Apartments, 19th loor, 39-Cuffe Parade Road, Bombay. (KFTZ—Gujarat—Art ilk Fabrics—1800,000 Metress p.a.—(N,U.)

Mr Shyam Boriwala, 138, Jorbagh, New Delhi. (Bhiwani-Haryana)—Worsted Yarn—1,200 worsted spindles.—(NU)

Sugar

M/s Godavari Sugar Mills Ltd; Fazalbhoy Building 45-47, M.G. Road, Bombay-1. (Bijapur-Karnataka)—Sugar—5,000 tonnes daily Cane crushing capacity.—(SE)

Food Processing Industries

M/s Sandoz (India) Ltd; Sandoz House, Dr. Annie Besant Road, Worli, Bombay. (Thana-Maharashtra)—Pancreatin and other items based on pancreas of Cattle—30 tonnes p.a. —(NA)

Cement & Gypsum Products

M/s Nagargali Cement Co. Ltd; Vidyanagar, Hubli-21. (Belgaum-Karnataka)—Portland Cement—4 lakh tonnes.—(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Dalima Biscuit Private Limited.—Dalima Biscuit Limited.

M/s Pratappur Sugar Mills Ltd.—M/s The Pratappur Sugar & Industries Limited.

Licences Revoked, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s Wala Engine Valves Limited, C/2, Vasant Vihar, Main Market, New Delhi—Engine Valves—(Cancelled)

M/s Usha Telehoist Limited, 14-Princep Street, P.B. No. 8853, Calcutta—Automotic Chassis Lubricating System—(Cancelled)

M/s Shalimar Paints Ltd; 13-Lamac Street, Calcutta—Paints, Enamels, Varnishes & Synthetic Resins—(Cancelled)

Letters of Intent Rejected, Cancelled or Lapsed

(Information pertains to particular letters of intent only)

M/s Apar Private Ltd; 184-185, Golf Links Area, P.B. No. 3004, New Delhi. (Maharashtra)—Plastic & Synthetic Insulated Cables—(Lapsed)

Dr. Nirmal K. Chaudhury, 314, Jadhpur Park, Calcuta. (West Bengal)—Carbon Potentiometer—(Closed)

M/s Larsen & Toubro Ltd; Gulab Bhavan, 6-Bahadur Shah Zaffar Marg, New Delhi. (Maharashtra)—Connectors (Cancelled)

M/s John Barrel, S.A., D/13/11, Model Town, Delh (Delhi-U.P.)—Electronic Components—(Closed)

Mr Ashok Kumar Khandelwal, 54, Mall Road, P.O. Ka tee, Nagpur. (Maharashtra)—Industrial Gases—(Cancell

Dr. M.V. Joshi, C-10, Maharani Bagh. New Delhi. (Ma rashtra)—Numercial Indicator Tubes—(Closed)

Mr Mangal Datta Sharma, C/o M/s Mangal Datta Sub Chandra, Court Road, Mazaffarnagar. (Madhya Pradesh Industrial Gases—(Cancelled)

M/s Farm Chemicals Ltd; Advani Chambers, 1st Floor, Pheroze Shah Mehta Rd; Bombay. (Gujarat)—Diuro (Lapsed)

Mr H. N. Lalljee, 61-Ali Chambers, Tamrind Lane, Bomb (Maharashtra)—Glass Fibre Products—(Lapsed)

Mr K. Ramdas Baliga 19/1, Greaves Road, Madr (Tamil Nadu)—cycle Rims.—(Cancelled)

M/s Rasoi Vanaspati & Industries Ltd; Raja Court, 20, R.N. Mukherjee Road, Calcutta. (West Bengal)—Oxyg Gas—(Lapsed)

M/s Devidayal (Sales) Pvt. Ltd; Post Box 6219, Tulsi Gupta Mills Estate, Reay Road, Bombay. (Maharashtra) Carburyl Technical—(Lapsed)

M/s Avery Cycle Industries Pvt. Ltd; G.T. Road, Mil Ganj, Ludhiana. (Chandigarh)—Bicycle Rims—(Cancelled

M/s Laxmichand Phagaji Ltd; Ramon House, 169, Backb Reclamation, Bombay. (Gujarat)—Thinwalled Bearings, —(Closed)

M/s Forbes Forbes Campbell & Co. Ltd; Forbes Buildi Charanjit Rai Marg, Bombay. (Maharashtra)—Dry Re Relays—(Closed)

M/s Bhilai Engineering Co. Pvt. Ltd; Post Box No. 31, Bhil (Madhya Pradesh)—Relays.—(Closed)

Mr G.K. Agarwal, 20-Babar Road, New Delhi. (Mah rashtra)—Potentiometers—(Closed)

Mr J.P. Mazumdar, B-7, Archita Flants, Behind A.G. Hi School, Ahmedabad. (Gujarat)—Industrial Gases—(Lapse

M/s Telangana Spinning & Weaving Mills Ltd; Narsarp Road, Balanagar, Hyderabad. (Andhra Pradesh)—Industri Gases—(Lapsed)

Mr M.V. Rao, Murthy & Company, 41, Third Main Roa Gandhi Nagar, Madras. (Tamil Nadu)—Cigarettes—(Lapse

M/s Durrung Steels Ltd Ltd; 8-Municipal Road, Dehradu (Uttar Pradesh)—Industrial Gases—(Cancelled)

Mr Baijnath Agarwal C/o Mr Syhamlal Gupta, Advocat Dholpur. (Rajasthan)—Industrial Gases—(Cancelled)

M/s Hindustan Oxygen Gas Co. Ltd; "Narayan Bhavan Waghela Marg, Khanpura, Ahmedabad. (Gujarat)—Industri Gases—(Cancelled)

M/s Chandrakant Harishanker, No. 2-A, Maker Bhavan N 2, Bombay. (Madhya Pradesh)—Tantalum Capacitors-(Lapsed)

Mr S.C. Maheshwari, 24-D, Hill Road, Gandhinaga Nagpur, (Uttar Pradesh)—Industrial Gases—(Cancelled)

Mr Ramanathan Palaniappan, 18-Agasteeswarnaga Madras. (Tamil Nadu)—Automobile Gaskets—(Closed)

M/s Dagger Forsts Tools Ltd; 1st Pokhram Road, Than (Maharashtra)—Alloy Steels—(Revoked)

Mr Bankatlal N. Taddy, M.L.A., Sugar Mill Premise Jaora, Ratlam, (Madhya Pradesh)—Industrial Gases—(Cancelled)

RECORDS AND STATISTICS

cline in world ade in 1975

FIRMATION THAT inter- nal trade increased only erately in value in 1975, suffered a decline in terms olume, is provided in re- reports of the Fund and he General Agreement on ffs and Trade (GATT).

he GATT secretariat fore- s recovery in real terms world trade this year, r a six per cent decline in ime from 1974 to 1975. s was only the second dec- in the postwar period, the having been a one per cent p in 1958. Given present ertainty regarding the rate ecovery of economic acti- and the balance of pay- ts positions of develop- countries, the GATT sec- riat says it is unclear that volume of trade this year regain the level of 1974. GATT report is a first essment of developments in ld trade during 1975 which be elaborated later in the r, on the basis of fuller rmation, in the annual ort, *Internal Trade*.

Export Value

he Fund report, based on a from the March issue of monthly statistical publi- on. *International Financial istics*, says that the export e (f.o.b.) of the industrial ntries as a group increased 6.1 per cent, from £ 503.3 ion in 1974 to an estimat- $534 billion in 1975. This was in sharp contrast to the considerable rise registered in 1974, when the export value of the industrial countries increased by 34 per cent from its level of $376.2 billion in 1973. The total import value (c.i.f.) of the industrial countries remained at the same level of $544 billion in 1974 and 1975. By contrast, imports had risen by more than 40 per cent from $386 billion in 1973 to their 1974 level.

The slowdown in the dollar value of the trade of industrial countries followed a period of several years in which the value of their trade had been expanding at an extremely rapid rate. Since both export and import prices of the industrial countries continued to increase substantially between 1974 and 1975, the actual slowdown in the trade volume of industrial countries in 1975 was greater than that indicated by the dollar values of trade alone; indeed significant declines were registered for both export and import volumes of these countries.

Slight Rise

In the fourth quarter of 1975 the exports of industrial countries were at an estimated $139.2 billion, according to *IFS* data, representing only a slight rise over their level of $138.7 billion in the fourth quarter of 1974. The imports of industrial countries, on the other hand, which were $141.3 billion in the fourth quarter of 1975, registered a decline compared with the $143.9 billion level of the fourth quarter of 1974.

Increased Exports

Among industrial countries for which 1975 data are available, increases in values of their exports were registered by a number of countries, including the United States (from $98.5 billion in 1974 to £ 107.7 billion in 1975), France (from $46.5 billion to $52.9 billion), Italy (from $30.2 billion to $34.8 billion), and the United Kingdom (from $38.9 billion to $44.1 billion). The import

Estimated Value of World Trade by Areas[1]

(billion U.S. dollars and percentage changes)

	Exports (f.o.b.)			Imports (c.i.f.)			Balance	
	Value		Change over previous year	Value		Change over previous year	Change in value	
	1974	1975		1974	1975		1974	1975
World	847	880	+4	854	905	+6	—7	—25
Developed areas	547	580	+6	614	6I7	+0.5	—67	— 37
Developing areas	229	215	—6	164	195	+19	+65	+20
Main oil exporting countries	137	125	—9	37	60	+62	+100	+65
Other	92	90	—2	127	135	+6	—35	—45
Council for Mutual Economic Assistance area[2]	71	84	+18	76	93	+22	—5	—9

[1] Figures for 1975 are incomplete and are subject to revision. [2] Imports generally f.o.b.

Data: The GATT, based on: International Monetary Fund *International Financial Statistics*, February 1976; Organization for Economic Cooperation and Development Series A, *Statistics of Foreign Trade*, January 1976; International Monetary Fund, *Direction of Trade*, December, 1975; and national statistics.

alues of three of these count-ies registered declines over ne same period. The value f the imports of the United tates declined from $108 illion in 1974 to $103.4 billion in 1975, of Italy from 40.9 billion to $38.4 billion, nd of the United Kingdom rom $54.5 billion to $53.5 illion. A large decrease, from 62.0 billion to $57.9 billion, vas also registered by Japan. The value of imports of the Federal Republic of Germany, n the other hand, increased markedly from $68.9 billion n 1974 to $74.2 billion in 1975.

GATT's Estimate

The GATT's estimates for 1975 include developing countries and centrally-planned economies, but the secretariat notes that trade returns for 1975 are available for only a limited number of industrial countries, and that for developing countries and the centrally planned economies, data for 1975 are generally based on their trade with industrial market economies, and are to be considered only as indicating orders of magnitude.

In the first half of 1975, according to the GATT, the volume of world trade was about 10 per cent, at an annual rate, below the level of the preceding six months. Some growth was achieved in the second half of 1975, but for the year as a whole world trade volume was about six per cent lower than in 1974.

World export prices, which had increased by 40 per cent in 1974, are estimated by the GATT to have risen by 10 per cent in dollar terms in 1975. This rise resulted from the increase in world export prices of manufactures during the first half of 1975 and the increase in prices of petroleum in the last quarter of 1975. World export prices of primary products (other than petroleum), which had fallen in the first half of 1975, leveled off thereafter, and for the year as a whole averaged less than in 1974. The value of world trade is estimated to have reached about $880 billion in 1975, roughly four per cent more than in 1974.

No Effect

The GATT economists make the point that in 1974 as well as in 1975 the rises in world export prices expressed in dollar terms for each year as a whole were not significantly affected by changes in the exchange rate of the US dollar. In both 1974 and 1975 the effective exchange rate of the dollar changed only by about one per cent as compared with the previous year, although there were wider fluctuations within the year. However, it should be borne in mind that all estimates concerning prices and volume of foreign trade are subject to wide margins of error, reflecting not only the possible distortions resulting from fluctuating exchange rates but also from the loss of precision in price measurement and, consequently, in the derived indices of volume, in a period of rapid inflation.

World commodity output, the GATT estimates, declined in 1975 for the first time in the postwar period, by an estimated two per cent, this decline being smaller than the fall in world trade.

In the last quarter of 1975, the upturn of demand and production which in the United States and Japan had started during the second quarter became noticeable also in western Europe. The decline of industrial production was reversed in the major European countries, with the exception of Italy and several smaller European countries. The gradual upswing in domestic demand in the United States in particular, mainly reflected the cessation of destocking, together with some recovery of private consumption expenditure. Fixed investment, which had been the most severely affected category of demand during the recession, continued to decline in real terms.

In the developing countries, agricultural production recovered in 1975, but data on industrial production (which had begun to decline later than in industrial countries) are still too sketchy to permit any appreciation of overall production trends in the latter months of 1975. Unemployment was much higher in 1975 than in previous cyclical downturns of the postwar period, and the degree of capacity utilization fell to an unprecedentedly low level. Even in the countries where production began to increase in the second half of the year, only a gradual recovery is in prospect and the social and economic problems related to the underutilization of both the labour force and production capacity remain a major preoccupation at the beginning of 1976. In the centrally-planned economies the overall production growth slowed down in 1975 as a result of the fall in agricultural output, which was adversely affected by unfavourable weather.

Moderate Decline

World inflation tended to ease somewhat during the second half of 1975 but in general remained considerably higher than in 1973. For industrial countries as a whole the rate of increase of consumer prices, which had reached a peak in the last quarter of 1974, declined in the course of 1975 but was still running at nine per cent in the fourth quarter. In the developing countries, although the rate of inflation of consumer prices in the last quarter of 1974 was more than double that of industrial areas, the easing of inflationary pressure in 1975 was only moderate, and during the third quarter consumer prices were still rising at a rate of more than 25 per cent over the corresponding period of the previous year, the GATT notes.

For industrial countries taken together, industrial production had declined continuously from the second quarter of 1974 to the second quarter of 1975 when it fell belc pre-boom level of early Though the downward ment was reversed durin second half of the yea 1975 as a whole it was eight per cent less tha 1974, the GATT says.

Sectoral Pattern

The changes in the sec pattern of production had been noticeable d the preceding 15 years continued during the but were less evident d the recession. For inst between the second qu of 1974, and the second qu of 1975, the decline of 1 cent in production of tex clothing, and footwear about the same as in the d mic branches of mach and chemicals. This can p be explained by short- developments on the der side, private consumption expenditure having been affe less than investment in recession.

In the first half of 1975 volume of imports of indus countries declined much r steeply than the volum their exports. An impor contributory factor to sharper than anticipated in the volume of imports ing the first half of 1975 the pronounced downv adjustment of inventories pecially those of raw m rials and semi-manufactu The decline in the volum exports had been cushic by the sustained strong mand of developing coun and the centrally planned nomies.

In the gradual upturn occ ing in world trade in second half of 1975, the rev of imports of industrial c tries, was, as could be exp ed, more pronounced than upturn in their exports. N theless for the year as a wh the volume of industrial co ries'imports declined by ne 10 per cent, twice as muc the volume of exports.

The dollar value of exp of industrial countrics sed by nearly six per cent 975, while that of imports nated.

ne aggregate trade deficit f.-f.o.b.) of the industrial ntries in western Europe, th America, and Japan, ch had reached $43 billion 1974, contracted sharply 311 billion in 1975. The bined trade deficit of the thern European countries, ch had reached nearly $20 on in 1974, showed some her increase in 1975, the TT says.

Marked Improvement

he marked improvement in trade position of the intrial countries was almost rely due to a shift in their e account with the deveng world. As exports to oil exporting countries coned to grow rapidly, while orts from them declined, trade deficit of the indusl countries with the oil orters diminished from billion to $42 billion. In le with the oil importing deping countries, the ext surplus of the industrial ntries nearly doubled to billion in 1975, a nine per t increase in the value of orts being accompanied a slight decrease in imports.

The trade balance (c.i.f.-b.) of the United States ted from a deficit of $9.5 ion in 1974 to a surplus 5 billion in 1975. In trade n other industrial countries deficit of $2.5 billion in 4 turned into an export plus of $5 billion; the le deficit with developing ntries declined by more n $7 billion under the nbined effect of a decrease the deficit with the oil exting countries (from nearly billion in 1974 to $9 billion in 1975) and a rise in the export surplus with the oil importing developing countries (from $1.5 billion to $6 billion).

In the European Economic Community (EEC) the overall trade deficit was reduced from $17 billion in 1974 to $2 billion in 1975, due to the decline by $19 billion in the trade deficit with developing countries. The deficit with the oil exporting countries diminished from $32 billion in 1974 to $18 billion in 1975, and the export surplus with the oil importing countries rose from $2 to $6 billion. In the Federal Republic of Germany the overall trade surplus was somewhat smaller in 1975 ($15.5 billion) that in 1974 ($20 billion). In all the other EEC member countries except Belgium, the trade deficit declined between 1974 and 1975.

Reduced Deficit

Japan's trade deficit was reduced from $6.5 billion in 1974 to $2 billion in 1975. The deficit with developing countries was reduced by more than one half to $3.0 billion, largely due to the decline from $16 billion in 1974 to $12 billion in 1975 in the deficit with the oil exporting developing countries.

Canada's trade deficit increased by $3 billion between 1974 and 1975, and Finland, Norway, and Sweden also recorded growing trade deficits, of about $1 billion in each country. Switzerland, however, reduced its trade deficit by more than $2 billion.

As a result of the marked improvement in the balance of trade, the large 1974 current account deficit of the industrial countries had already turned into a surplus in the first half of 1975. During the second half of the year, however, the recovery of imports tended to reduce the surplus on current account of the industrial countries as a whole.

Under the impact of the recession in industrial countries, the export earnings of developing areas as a whole (including the oil exporting countries) declined by some six per cent in 1975 while imports are estimated to have increased by about one-fifth. As a result, the combined trade surplus (f.o.b.-c.i.f.) of all developing countries was reduced by about $45 billion, to $20 billion in 1975.

Lower Earnings

These aggregate figures conceal, however, important differences between the oil exporting and the oil importing developing countries. The export earnings of the oil exporting countries declined by nine per cent, the sharp fall in volume being only partly offset by price increases announced at the beginning of the last quarter of 1975. Imports continued to grow rapidly, by more than 60 per cent in value. The combined export surplus of this group of countries, while declining by about one-third, amounted to roughly $65 billion in 1975.

Export earnings of the oil importing developing countries declined slightly in 1975. At the same time, these countries experienced a further rise in the average price of their imports. Despite a reduction in the volume of imports, the first experienced since 1958, the combined deficit of the oil importing developing countries widened further by roughly $10 billion to reach about $45 billion in 1975.

International reserves o those oil importing developing countries for which data are available had recorded a modest increase in 1974 and appear to have declined only slightly in 1975. This implies that for the second consecutive year their large current account deficit was financed through capital inflow. A problem of growing concern to many developing countries has been that the proportion of external capital inflows directed to investment has been declining relatively to shorter-term capital inflows needed to finance current account deficits, the GATT notes.

The value of exports from the centrally planned economies is estimated to have risen by roughly 18 per cent in 1975 and that of its imports by more than 20 per cent. As a result, the area's overall trade deficit (f.o.b.-c.i.f.) which had reached $5 billion in 1974, almost doubled in 1975.

Expanded Exchanges

Exchanges among countries of the Council for Mutual Economic Assistance (CMEA) expanded in 1975 by about 30 per cent in value terms, roughly two-thirds of the increase being accounted for by the strong upward readjustment of contractual prices in intra-area trade. CMEA imports from industrial market economies rose in 1975 about as rapidly as those from within the area in value terms, whole CMEA exports to developed market economies are estimated to have increased by five per cent.

Imports of the People's Republic of China from, and exports to industrial market economies, both increased in 1975 by roughly five per cent.

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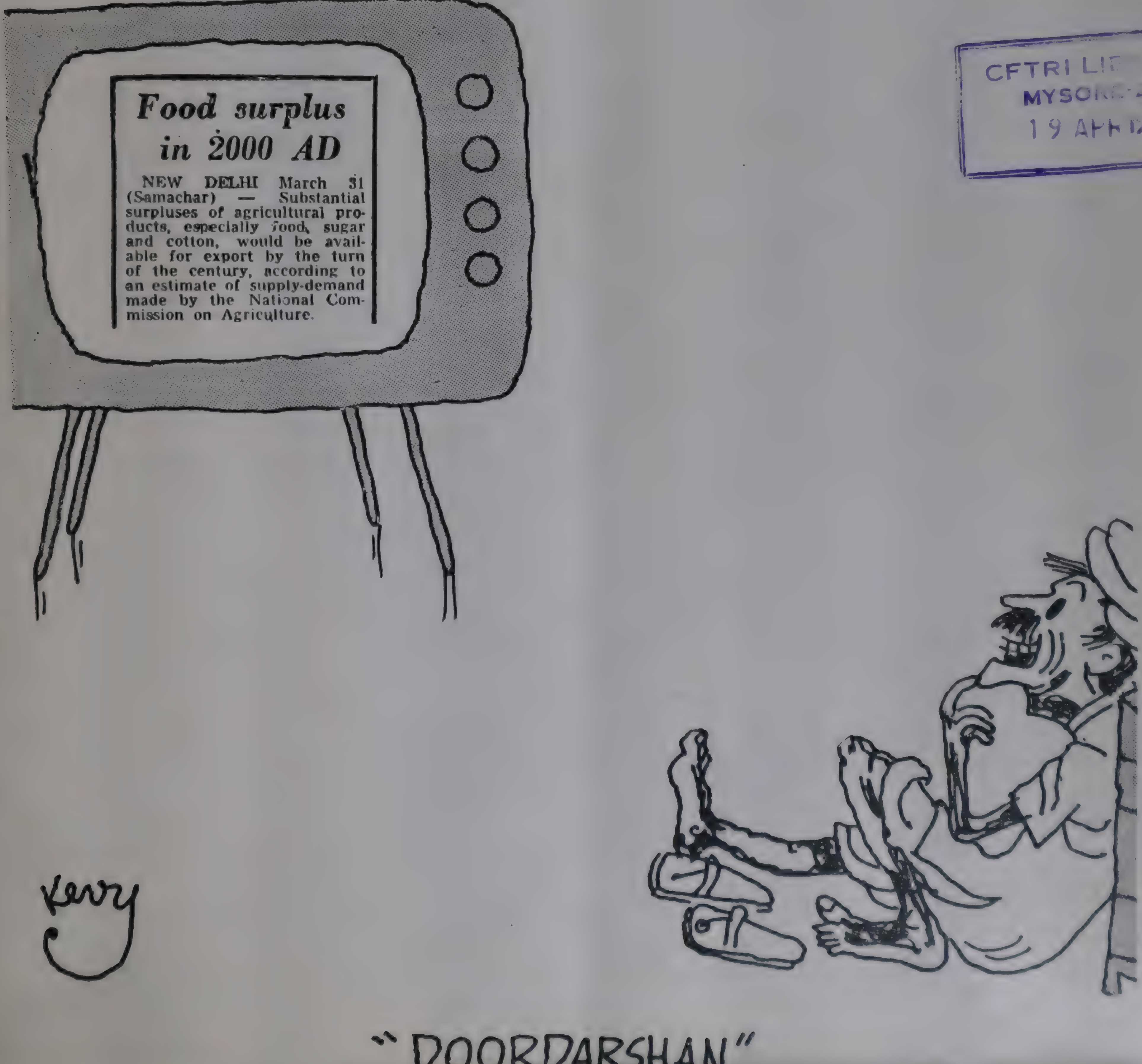

Food surplus in 2000 AD

NEW DELHI March 31 (Samachar) — Substantial surpluses of agricultural products, especially food, sugar and cotton, would be available for export by the turn of the century, according to an estimate of supply-demand made by the National Commission on Agriculture.

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L. 66 NO. 15 APRIL 9, 1976

Price Rupees Two

eading Articles

nking : Handsome Is As Handsome es 737
nk Credit : Costs and Profits 739
BI Restructured 740
w Taxes in Tamil Nadu, Karnataka 742
C's Performance 743

apital's Corridors 746

oint of View

he Wealth of Nations : Remembering dam Smith—V.V. Joseph 749
roduction of Seed-Potato in imachal Pradesh—G.D. Vashist 750

Vindow on the World

ECD Seeks to Strengthen ompetition—Jossleyn Hennessy 752
NCTAD Board Drags Its Feet —E. B. Brook 754
lectrical Engineering in Romania —A Correspondent 756

Trade Winds

India-Canada Cooperation; Yen Credit; Economic Assistance to Mozambique; Banks to Receive Taxes; Scooters Plant in Jammu; Limestone Crushing Plants; Rural Electrification; Khadi and Village Industries Commission; Railway Track Modernisation; Low Priced Television Set; Fertilizer Output; Import Substitution in Defence Stores; Hungarian Trade; Coir Exports; Support Price for Jute; Rupee Upvalued; Income Tax Settlement Panel 757-759

Company Affairs

Indian Rayon; Facit Asia; Molins of India; Usha Martin Black; Balmer Lawrie; Atlas Copco; Union Carbide; Ramon Engineering; State Bank of India; News and Notes; New Issues; Capital and Bonus Issues; Dividends 760-764

Records and Statistics

World Bank Atlas : Population, Prosperity, Poverty Trends 765

Banking : Handsome is as handsome does

GIVEN ITS historical background, the State Bank of India could easily have settl down to being the *eminence grise* of our commercial banking world. That, instea it continues to be very much the *prima donna* is all to its credit. The compulsic of circumstances has no doubt played its part in this process, but it would l churlish to deny that deliberate choice and judgment have also contributed conside ably to the State Bank displaying shine and sparkle as a leading operator in o country's banking revolution.

The chairman, Mr R.K. Talwar, addressing the 21st annual general meeting of tl shareholders of the bank held in New Delhi last week, was naturally keen on empha sizing the dynamic elements in the functioning of the bank. He claimed credit fo the bank's philosophy of "innovative banking" which, he said, was something mo than normal banking innovations. Here he was referring primarily to certain ment attitudes on the part of the State Bank leadership, which recognized that the ban was a community-based organization and should therefore take steps to blend i business goals with its social obligations. There is of course the saying that a col bler must stick to his last and it would be rash indeed to argue that this injunctio has become outdated. Nevertheless, change is a law of life and even the making c shoes no longer remains the mere piecing together of bits of leather. Our banker therefore, should be allowed a certain measure of aggressive salesmanship in sellin their innovative banking or even simply their banking innovations provided, c course, the wood is not overlooked for the trees. Any large or firmly establishe institution could always afford some fringe or even frivolous activities up to a poi but its viability, however considered, must ultimately depend on its serving adequa tely the particular purposes and needs which provide the primary *rationale* for it existence or functioning.

Mr Talwar referred to the increase in the net profit of the bank from Rs 4.6 crores to Rs 6.53 crores. He attributed this improvement to the revision, as fro April 1970, of the rate at which the Reserve Bank reimbursed the State Bank for th latter's costs on government business and the reversal of the trend of spiralling wag costs. The bank's annual report for 1975 suggests an additional explanation: Th bank's Advance Rate was raised from 13.5 per cent to 14 per cent with effect fro April 1, 1975, for meeting higher establishment costs and also keeping in view that considerable margin existed between the bank's prime lending rate and that of othe leading banks in the country. It may occur to some of us that a healthier rea justment would have been for the other leading banks to move this prime lendin rate down to the State Bank's rather than for the latter to push its own rate up Anyhow it is quite true that, despite the reversal of the trend of spiralling wag costs mentioned by Mr Talwar, higher establishment costs continued to be a strai on the profitability of banks as well as a significant element in what banking service cost a bank's immediate clientele as well as the community at large. Quite clearl the raising of productivity should be an important aim of management decisions o personnel policies in the banking industry. In particular, there is need for dealin firmly with the problem of surplus staff, if need be by freezing or at least drasticall curtailing new recruitment for some time.

Of relevance to this argument is Mr Talwar's own discussion of the progress whic the State Bank has been making in improving customer service at its branches. Th emphasis here has been on eliminating time-consuming procedures through delegatio of responsibility and the introduction of system of a limited self-supervision on the pa of the clerical staff. Mr Talwar has spoken appreciatively of the gains flowing fro the Teller System, which the State Bank as also some other banks have been operatin a few years now. He has pleaded for extension of this system in a bold way d has suggested that bank manage nts and bank employees should consult ch other at the national level on the moval of difficulties in the way of the neral adoption of the Teller System in e banking industry. One hurdle, accord g to him, has been the demands of aff for extra compensation and he oints out that, once the concept of mited self-supervision is accepted in the terest of the employees themselves, the uestion of extra compensation need not rise. He denounces quite rightly "the raitjacket of past commitments regard ng monetary compensation for every xtra bit of responsibility" especially as bank employees are better paid than nost of their counterparts elsewhere."

interbank cooperation

The State Bank chairman has made a owerful plea for inter-bank co-operaion. Improvement of customer service s only one of the areas where such cooperation is necessary and would be highly profitable. Detailing other possibilities for closer relationship among banks, he has mentioned consortium lending, sharing of developmental responsibilities under the Lead Bank Scheme, sharing of information about large borrowers, evolution of common norms for inventories and follow-up of credit, common service conditions for staff and pooling of training and other facilities.

Mr Talwar has done some frank speaking on the duty of each unit of the banking industry to abide by the rules of the game and not to prejudice the long-term interests of the banking system. In attempting to attract deposits, for instance, banks, he pleads, should not resort to false or misleading advertisements or indulge in unfair trade practices. While there could be no objection whatsoever to healthy competition, the State Bank chairman would like to go on record "as deprecating such questionable tactics as are detrimental to the cause of banking." Incidentally, one of the good consequences of questionable tactics being discouraged might be an increase of pressure on individual banks to seek legitimate competitive advantages through better customer service.

In a useful passage in his speech Mr Talwar draws some lessons from the State Bank's experience in the field of agricultural finance during the past seven or eight years. The first lesson is to avoid scattered lendings, which confront the banks with the insurmountable problem of supervision and follow-up of credit. The second lesson flows from the first and underlines the value of the strategy adopted in 1971 by the State Bank of intensifying agricultural lending at selected centres through Agricultural Development Branches. By the end of 1975 the State Bank group had opened 216 branches of this kind. The third lesson is that since the branches undertaking intensified agricultural lending are deliberately set up at centres which are intended to serve areas with preponderance of small farmers, the canalisation of credit through approved intermediaries, in preference to direct lending to individual farmers, is absolutely essential if the overall cost of agricultural lending is to be kept within limits. The fourth lesson is that multipurpose co-operative societies or farmers' service societies should be promoted and encouraged to function as approved intermediaries for canalising bank credit to farmers. This would help in integrating supply of inputs, such as fertilizers and pesticides, and the provision of extension services or marketing facilities, with the agricultural lending operations.

rural banks

Mr Talwar has welcomed the scheme of Regional Rural Banks but advises that some precautions will have to be taken if they have to be fully successful in their purpose. For instance, the overlapping of activities amongst the various agricultural lending institutions operating in the rural areas should be avoided. Unproductive and wasteful competition has already become a problem here and the advent of Regional Rural Banks should not mean an aggravation of this unhealthy situation. Mr Talwar expects the Reserve Bank of India to take the initiative in organizing effective co-ordination of agricultural lending activity by the various agencies functioning in the countryside. He is also keen on correctives being applied to the high cost of agricultural lending. Thanks to unrealistic establishment costs, com mercial banks are simply not in a pos tion to avoid loss in the working of the rural branches. Mr Talwar therefore con siders it important that the offices c commercial banks established in the rura area and dealing primarily with agricu tural finance should be enabled by sui able legislation to recruit local staff o salary scales applicable to state government employees.

lively ideas

Mr Talwar is known for lively ideas o major issues of banking policy. It is therefore rather disappointing that he has said nothing in his speech about such issue currently in debate as to whether th availability of bank credit has been actin as a constraint on industrial production The governor of the Reserve Bank, M K.R. Puri, speaking in Madras a few days ago, said that, while manufacturing industry had acquired an additional credit of as much as Rs 2,690 crores between March 1968 and December 1974, representing an increase of 135 per cent, the index number of industrial output had increased only by 35 per cent during the same period. He found this worth emphasizing "because the notion that large and medium industries are starved of credit on account of credit restraints and flow of credit to certain designated 'priority' sectors is not borne out by facts." M Puri went on to claim that studies had shown that "bank credit appropriated by large and medium scale industries has been somewhat disproportionate to their output increases during the last five to six years." Mr Puri may be right, but it is undeniable that the opposite view is also being widely as well as strongly held. In any case the Reserve Bank governor's rather summary way of disposing of the subject is not altogether convincing. Surely, something more is needed to clinch the issue than the casual juxtaposition of bald statistical artefacts which seems to have so impressed the governor of the Reserve Bank. Considering the importance of this debate to the further course of the government's monetary policy, bank chairmen will be doing a service to the community if they were to express themselves on the issues in an informed and frank manner.

Bank credit : costs and profits

THE RECENT attempts to achieve closer integration of the structure of interest rates and beat a slow retreat from dear money, without appearing to do so, give room for hope that the transaction of commercial banking will be more helpfully completed in the coming months and the burden of interest charges on borrowers will become less onerous. The governor of Reserve Bank, Mr K. R. Puri, was perhaps thinking of even a modest cut in the bank rate when he observed some time back that there was a wide spread between the Bank Rate and lending rates and the scheduled commercial banks should lower the latter without any change in the structure of deposit rate. It was, of course, possible to effect a reduction in average lending rates of individual banks even without a decline in the Bank Rate and downward adjustments in deposit rates. As the spread between the bank rate and the average lending rates of even major banks had widened to 7 per cent from only 4½ per cent in 1970, it should have been logically expected that member banks would be in a position to function even on the basis of smaller margines as aggregate deposits have more than doubled in the past six years and there has also been a keen demand for funds resulting in a high credit-deposit ratio.

no improvement

The profitability of working of different banks, however, did not show any signs of improvement until recently as working expenses were rising at an unprecedented rate on account of higher emoluments to bank employees and heavy losses incurred on the opening of new branches. There was also inefficient use of cash resources and no special anxiety to effect economies in working expenses. However, the position is now vastly different not because there has been improvement in operating efficiency but due to the fact that the pace of opening new branches has slowed down, a larger base has been created and the losses sustained on running new branches are considerably less than before because the earlier offices are coming out of the red. There has also been a phenomenal growth in deposits in 1975 while on the plea of discouraging borrowing even the major banks have not any compunction in levying higher interest rates even if they were usurious. There were also heavier service charges with monthly rests in interest charges in the bargain.

feeble attempt

Only a feeble move has been made for lowering interest rates on advances with a fixation of a ceiling of 16.5 per cent on loans extended by major banks inclusive of the levy of the government. Even so it was estimated that over 15 per cent of advances will derive the advantage of lower interest rates. It was of course stated that no upward or downward adjustments were to be effected down the line between the minimum rate of 12.5 per cent and the new ceiling rate of 16.5 per cent. At the conference of chief executives of major banks with the governor of the Reserve Bank, there seems to have been opposition to a downward adjustment in advance rates without a lowering of the Bank Rate or other adjustments on the plea that working expenses have gone up inordinately and any loss of income would result even in the emergence of net loss for some banks. These fears are obviously exaggerated as the working results for 1975 of many banks have been highly encouraging and published figures for 1975 in many cases have disclosed a big increase over 1974 even after strengthening substantially inner reserves and writing off bad debts.

The Reserve Bank has also streamlined the structure of interest rates for long term loan with fixation of a ceiling of 15 per cent for these types. As the government has recently announced that there will be no levy on incomes of the banks derived through loans for long terms the lending institutions will not be penalised as only small concessions are involved. However, there is no bar to the fixation of lower interest rates by individual banks. Special committees are also being appointe examining the question of penal rate the revision of service charges. M while, the Indian Banks Associatio decided that the ceiling for inter- borrowing for overnight-money shoul lowered to 12.5 per cent from 15 per and there should be no attempt to by regulations by paying higher rates notice money. New rules have been cribed for this purpose.

These developments are certainly tening and the borrowers may probabl in a better position to bargain with ban as there are definite indications to sug that the adjustments to the new situa arising out of the international oil c and world inflation have been largely c pleted and it may not be necessary to row further heavily for maintaining mal inventories if the present healthy t in wholesale prices remains in evidence will not, however, be out of place to tion that there is an erroneous impres in some quarters about the incidence o terest charges on working expenses profit margins. It has sought to be plained away that interest charges a proportion of total turnover are not m than 3 – 4 per cent and higher interest as such have not had any devitalising e on the working of industrial units.

decline in earnings

Analyses of profits of industrial units fore interest charges and after deprecia for the past two years show that in pa cular cases, net earnings before taxa and after interest charges and deprecia have declined by 25 to 50 per cent in 197 compared to 1974 even with a larger tu over. The chairmen of some major ind trial units have gone on record saying even for the same level of inventories m higher interest charges have to be bo because of higher interest rates and "disappointing" working results mainly due to this factor. It is time aspect of the question was better un stood and there was a more determined treat from dear money leading ultima to a reduction in the bank rate.

The banking system is not experien the same pressure now as it did in the two years when there was a galloping ris and advances and available resour- ave been rationed. The difficulty, if now is on account of massive expan- of food credit and heavy accumulation ocks of fertilisers, non-ferrous metals other items due to huge imports and no ficant improvement in internal off- . In the twelve months ended March 975 the incremental ratio of non-food it to fresh deposits was little over 50 cent in spite of seasonal increases in nces of the scheduled commercial s. Thus, against the growth in depo- of Rs 2,141 crores during the period er reference, non-food credit rose by Rs 1,116 crores. The proportion was h higher in the previous 12-month od; though the aggregate rise in ad- ces was of the same order. It is neces- , however, to remember that the in- se in non-food credit in the past twelve nths would not have been so pronoun- but for an accumulation of stocks of ilisers, non-ferrous metals, petroleum ducts and other items. There would e been actually a smaller rise but for se excess stocks. There are also signs earlier high priced inventories being laced by less costly imports, while funds ked up in excess stocks are likely to be eased in the coming months with an in- ase in offtake, pruning of imports and ger plant outlay.

buffer stocks

he government may, perhaps, have to cide in the not too distant future about manner in which buffer stocks should financed as total interest charges are und to be prohibitive if average buffer cks remain at high levels, as they are ely, if a fairly satisfactory output is secu- also during the 1976-77 agricultural son. On March 19, 1975 outstanding d credit stood at Rs 1,457.73 crores inst only Rs 414.22 crores. This big e in food credit was responsible for an rease in aggregate advances in 12- nths by Rs 2,160 crores against addi- ns to deposits of Rs 2,141 crores. As her statutory liquidity and cash reserve ios had to be observed. cash balances d money at call have increased by Rs crores and investments in government urities and treasury bills alone by Rs 475 res. It became, necessary, therefore for member banks to borrow as much as Rs 887 crores from the Reserve Bank and refinance facilities against food credit accounted for as much as Rs 787 crores out of this total. This clearly shows that but for heavy expansion of food credit, the banking system would not have found any need for borrowing from the Reserve Bank. Even this borrowing has been inflated by a higher cash reserve ratio. While banks may not be keen on extending food credit on preferential basis under different circumstances, they have now a good opportunity for employing their funds more remuneratively. Even excluding refinance facilities, about Rs 670 crores has been used out of owned funds for providing food credit. This figure will increase substantially in the coming months with intensive procurement of wheat. The government can probably think of segregating buffer stocks which involve borrowing from RBI for member banks, and financing them with created currency. There can then be a lowering of the interest burden and therefore the cost of subsidy. The developments in the money market in the next few months are bound to be interesting.

IDBI restructured

WHATEVER THE reasons for delinking the Industrial Development Bank of India (IDBI) from the Reserve Bank of India, it is undeniable that the IDBI will be called upon to shoulder increased responsibilities in the coming years as the apex financial institution in the country. Besides the coordination of the activities of other financial institutions, it will have to support boldly the schemes for hastening the process of industrialisation keeping in view the objectives which the government has set before itself. At a press conference in Bombay recently, the new chairman of the IDBI, Mr Raghu Raj, emphasised the role of the IDBI "as an innovator imparting new directions in the sphere of industrial finance". What changes Mr Raj will be able to initiate as an innovator remains to be seen. All that could be gleaned from his speech at the above-mentioned press conference was that the IDBI would spare no efforts in contributing its mite to the success of the 20-point programme, particularly increased assistance to small and new entrepreneurs and to enterprises located in backward regions of the country.

The IDBI, guided as it was by experienced bankers in the past 11 years, had given a good account of its performance.

As shown in the table on page 741, its gross sanctions had risen from Rs 54.6 crores in 1964-65 to Rs 356.1 crores in 1974-75. Consequently, cash utilisation multiplied almost eight times during the period under review from Rs 28.0 crores in 1964-65 to Rs 213.0 crores in 1974-75. And in achieving a new peak in its operations every year, it did attempt the use of its resources in socially desirable channels. For instance, it encouraged technician-sponsored projects and extended a credit of Rs 3.2 crores to six such projects in 1974-75. The total number of such projects which had received direct assistance from the IDBI was 21 with financial commitment of the order of seven crores of rupees. Also, the backward regions of the country received special patronage in the sense that units located in them were given direct assistance of Rs 148.9 crores out of which assistance on concessional terms was nearly Rs 80 crores.

The IDBI extended the sphere of its operations by providing refinance assistance to state financial institutions, rediscounting assistance to public utilities, subscribing to the shares and bonds of other financial institutions, export assistance under the various export finance schemes, and financial assistance to small-scale industries and public and joint sector units. Thus, the new board of directors has taken over a very well-managed financial institution which has all the possibilities of further growth and which is expected to play a dynamic part in the generation of new resources for conomic development of far-flung areas n the country.

The credit for providing risk capital to on-traditional industries for the first time in this country goes to the ICICI which was set up in 1955 to channelise development finance for meeting the requirements of private sector industries. It provided both rupee and foreign exchange resources for units which had been sanctioned under the economic plans chalked out by the Planning Commission. Adequate profitability alone was not the criterion adopted for advancing funds even though it was known that it would help the ICICI in the realisation of the credits and further expansion of its operations. Other considerations such as the generation of employment opportunities, increase in export possibilities and all-round growth of industries in the country were also taken into account.

risk element

In a recent sample study by the ICICI it was shown that of 626 companies assisted by it no less than 117 companies were non-profit making. The number of companies which declared no dividend in 1973-74 was 261, including both public and private limited companies. The risk element in financial assistance provided by the ICICI was thus of no mean order but it needs to be stressed that this organisation was called upon to provide something more than financial support alone as many of the entrepreneurs had no experience of managing industrial enterprises; most of them had shifted to this branch after some experience in trading or civil service or technocracy.

It is well that the IDBI has taken the decision to decentralise its operations by delegating wide powers to the regional and branch offices. Regional offices at Calcutta and Madras have been upgraded to the level of the New Delhi office and a new office at Ahmedabad is proposed to be opened to cover the western region. It is expected that the decentralisation of functions will expedite both refinance assistance and the bill rediscounting scheme in addition to hastening the disposal of other work. This is perhaps the first innovation which the new management has introduced.

However, it should not mean any laxity in the scrutiny of projects leading to ill-advised investments. Pressures, will have to be countered for healthy growth of the IDBI operatious. Mr Raghu Raj and his colleagues will have to steel themselves against all influences.

serious mistake

A serious mistake which has been usually made in this country is that development of backward areas is associated only with industrialisation. It has been proved both in our country as well as in other developing countries that the establishment of highly-technical industrial units in backward areas was not conducive to the rehabilitation of the people of those areas as they could at best fill in the most menial jobs. Instead of promoting harmony and progress in these areas, the industrial units tended to create dissension because of the import of highly paid technical hands from other parts of the country. This aspect of the problem was very well brought out by Dr H R. Machiraju in *Eastern Economist* of April 2, 1976 (p. 705). He was right when he concluded his article by saying that "backwardness then has to be fought on several fronts, not only on the industrial front". The economic progress of Punjab and Haryana in recent years had clearly demonstrated that they could rise to the top positions in per capita income despite their being the least industrialised states.

That the government of India is keen to see rapid expansion in the operations of the IDBI is clear from the provision made in the budget for 1976-77 according to which the surcharge on corporate profits would be deposited with the IDBI for a period of five years. Understandably, the new chairman is elated with this move and has expressed the hope that the "government will similarly come forward with measures which would augment our resources from time to time on a steady basis". Hitherto, the IDBI has received all the financial assistance that it required from the government and to a small extent only it has succeeded in raising funds through bonds c
bentures. In the coming years, it s
through its performance carve
special place in the capital market c
country and should increasingly re
the debenture market for fresh fund

Also, the IDBI must energis
machinery for the repayment to
part assistance which continued
one of the major sources for its finar
operations. In 1974-75, out of the
funds of Rs 272.8 crores at the disp
of the IDBI for distribution, Rs
crores had accrued through the re
ments of loans. It is essential that
units which have drawn sustenance f
the IDBI remain in health and regul
return the scheduled credits so that
could be of use to the new, deser
units.

limping units

Discussing the functioning of the
mestic Finance Wing of the IDBI,
Raj emphasised the task of assisting
limping units in such industries as
tiles, engineering, cement and sugar t
might be referred to the IDBI by
government. Said Mr Raj: "Spe
attention will be paid to those assis
units which show symptoms of sickn
The emphasis will be on prevent
rather than cure."

In the setting up of new units, p
ference is currently being given to th

Trends in IDBI's Operations: 1964-65 to 1974-75

(Rs crores

July-June	Sanctions*		Cash utili tion
	Gross	Effective	
1964-65	54.6	48.6	28.0
1965-66	70.1	62.5	51.1
1966-67	81.0	54.2	59.3
1967-68	44.9	39.7	44.7
1968-69	74.0	62.0	48.7
1969-70	73.2	60.6	52.2
1970-71	137.0	122.5	79.7
1971-72	176.0	160.9	93.9
1972-73	157.9	132.2	106.5
1973-74	228.6	213.7	162.2
1974-75	356.1	351.4	213.0

*Excluding guarantees.

have export possibilities. Once a ct has been cleared by the ministry ndustry and Civil Supplies, it is tial that all red tape should be cut o as to accelerate its establishment ducing the waiting period from five ree years. The IDBI can play a useble in this regard. The chairman of DBI has no doubt restructured the ort Department so that it may funcas a true Export Bank. The perance of this department in the comyears will demonstrate how far the rman has been successful in this sion. As it is, the IDBI was doing well in this regard. In 1974-75, the sation of export assistance at Rs 18.8 es had more than doubled from 7.7 crores in 1973-74.

It is heartening to know that the Narasimhan Committee, which examined the working of the IDBI recently, has urged that the bank should not take more than six months for processing applications for loans to industrial projects. The committee had noted that in extreme cases the IDBI had taken as many as 21 months to process an application for loan. Understandably, much depended upon the preliminary preparation made by the promoter before submitting the application to the IDBI but once the bank was approached, it must not take unduly long to decide for or against the project. The suggested period of six months should be deemed as the upper limit and not the norm for this purpose.

lew taxes in Tamil Nadu, Karnataka

o OF the four southern states—Tamil du and Karnataka have proposed fresh ation to net an additional revenue of 20.25 crores. It may be relevant to nt out that these two states had proed additional taxation of Rs 18.05 res last year too. The other two tes—Andhra Pradesh and Kerala—pear to be in relatively comfortable ition even without new taxes. Last r also these two states had tax-free dgets. In fact, Kerala's minister for ance, Mr K. M. Mani, has presented a ckage of taxation reliefs and a series social welfare measures. In spite of s increased financial commitment, rala has only a marginal deficit of 73 lakhs on revenue account. Andhra adesh has a surplus of Rs 39.74 crores revenue account, though the capital dget has rendered the state's overall sition to a deficit of Rs 42.69 crores.

The new taxation proposals in rnataka envisage a rise in the rates of es tax on certain categories of products d the levy of purchase tax on sugarne payable by the khandsari units to ld two crores of rupees. Additional of Rs 1.50 crores is to be levied on ertainments. Increase in stamp duty conveyances and mortgages will secure Rs 1.75 crores and enhancement of education cess and health cess will yield Rs 2 crores. The introduction of profession tax on a statewise basis will bring in Rs 4 crores. These five proposals will net an additional Rs 11.25 crores. The mobilisation of the fresh resources for 1976-77, however, will be Rs 17.25 crores. Three measures already before the legislature, namely, extension of agricultural income tax, urban land tax, and the revision of water rates are estimated to bring in Rs 5 crores. Another sum of Rs one crore is expected through improved collection of water rate and betterment levy. Mr Y. R. Ghorpade, Karnataka minister for Finance, has rightly pointed out that some suitable effort to marshal additional resources was inevitable as sights had been set high in respect of development programme during the year.

Last year Karnataka has increased its imposition on farm sector. Agricultural income tax in Karnataka existed even before 1975-76 on incomes arising from some specified commercial crops. The state government, however, had proposed last year to extend this tax to all crops so that irrespective of the nature of crop, all agricultural incomes were brought under a progressive system of taxation. This measure was expected to yield an additional revenue of Rs 3.5 crores in 1975-76.

Special assessment

In Tamil Nadu, the fresh taxation proposals include enhancement of the motor vehicles tax and an additional water cess of Rs 10 to Rs 12 per acre on lands using water from class II and Class I sources respectively. Mr C. Subramaniam, the union minister for Finance, who presented the budget to the Lok Sabha, proposed the introduction of a special assessment for commercial crops at the rate of Rs 25 per acre for grapes, sugarcane, plantation, coconut, betel and turmeric and Rs 15 per acre for tobacco, chillies, irrigated cotton and irrigated ground nut. As this levy would constitute a small part of the net income of farmers who grow remunerative cash crops, it is not likely to be resented. These taxation measures have become necessary because as a result of the policy of total prohibition the state has been losing over Rs 50 crores every year. Moreover, the minister has also offered some much wanted reliefs for industry and the consumers. Reductions have been announced in sales tax on cotton yarn sold outside the state, on dry cells and on passenger cars with exemption from central sales tax for passenger cars and light diesel vehicles exported from the state. Exemption has also been proposed for note books and pencils from the present multipoint sales tax of four per cent.

Andhra Pradesh proposes to cover the deficit by better collection of revenues, especially arrears and through increased central assistance. Already the state has shown considerable buoyancy as a result of which there has been a sharp increase in its revenue receipts from Rs 575.36 crores in 1975-76 to Rs 656.15 crores in 1976-77, mainly due to the increase in the state's own revenues. The increase in its share from the central taxes has followed the sixth Finance Commission's recommendation regarding the sharing of auxiliary excise duties also from 1976-77 between the centre and the states.

Moreover, the state expects 10 per cent increase in the centre's contribution for the state's annual Plan for 1976-77.

Kerala state is expecting an additional revenue of Rs 1.6 crores out of the anticipated yield of Rs 5.6 crores from the state's package of measures relating to sales tax, agricultural income-tax and plantation tax. This follows from the fact that only an amount of Rs 4.00 crores will go to finance the welfare measures announced in this year's budget. Besides, the state had been informed by the centre about an improvement of Rs 4.90 crores in the state's share of central taxes this year and in the coming year put together. Another Rs five crores are to become available through collection of arrears of taxes and exercise of strict financial control. This total amount of Rs 11.50 crores will convert the overall deficit of Rs 4.30 crores in the financial transactions of 1976-77 to a surplus of Rs 7.20 crores, and the year-end deficit would also come down from Rs 40.9 crores to Rs 29.4 crores. Still adequate financial adjustments will have to be sought from the centre to take care of the state's ways and means position.

equitable tax

One of the tax relief measures announced by the Kerala Finance minister provides for enhancement of the exemption limit of agricultural income-tax from Rs 5,000 to Rs 8,000 and reduction of the tax rates on par with the central income-tax rates prior to the recent announcement by the union Finance minister. The surcharge rate is also to be equalised. These relief measures provide a benefit of nearly Rs one crore to the agriculturists of the state and also make the tax more equitable. In addition, the assessment procedure is to be simplified so that the tax liability of agriculturists, with income below Rs 25,000 will remain in force for three years, after having been assessed with reference to income for the previous year. A provision has, however, been made that if in the meantime the income increases or declines by over 15 per cent, the government or the tax payer will have a right to move for a reassessment of the tax liability.

An important feature of the Tamil Nadu budget is the stepping up of the state's annual Plan outlay for 1976-77 from the earlier proposal of Rs 177 crores to Rs 201 crores. The increase of Rs 24 crores will be mainly in agriculture, irrigation and power. Industry, drinking water supply, slum clearance and welfare of Harijans and backward classes also receive more attention. The Plan outlay of Rs 201 crores represents a significant increase of 40 per cent over the Plan outlay of Rs 142 crores for 1975-76. The outlay for the power sector is being increased to Rs 70.18 crores against Rs 41 crores in 1975-76. The annual Plan provides Rs 34.5 crores for the first phase of the Tuticorin power project, which is expected to add 420 mw by 1979-80. An advance of central assistance of Rs 27 crores is to be provided for this project in recognition of the high priority accorded to power in the state. In the enhanced Plan outlay, Rs 5 crores have also been provided for the Pandiar-Punnampuzha hydel project.

Andhra Pradesh has already incr
the outlay on the state's plan for 19
from Rs 153.68 crores in the or
budget to Rs 203.30 crores. Taking
account the provision for cen
sponsored schemes (Rs 24.89 crores
special development schemes (Rs
crores), the total developmental outl
1976-77 is likely to be around Rs
crores. This state also has prov
priority to power by setting aside
90 crores. A sum of Rs 61 crores
been provided for irrigation, Rs
crores for social services, Rs 25 cr
for transport and communications
Rs 16 crores for agriculture.

In Kerala, about Rs 56 crores ou
the Rs 111.5 crores provided for in
state's annual plan for 1976-77, has b
allocated for schemes under the
economic programme enunciated by
prime minister. The state also
poses to set up a science research f
to encourage research by individuals
institutions by giving grants to scien
for research.

STC's performance

NOTWITHSTANDING the fact that the State Trading Corporation group as a whole and STC individually could not achieve the overall turnover targets fixed for them for the 1975-76 financial year, their performance during the year cannot be underrated in view of the difficult global trading conditions in which they had to operate.

According to the provisional figures released on March 31 by the STC chairman, Mr Vinod Parekh, the group as a whole could raise its turnover by 20 per cent—from the 1974-75 level of Rs 979 crores to Rs 1,082 crores. The target set was Rs 1,119 crores. In the case of STC, the turnover aggregated to Rs 970 crores, as against the target of Rs 1,000 crores. Apart from STC, the other unit in the group which failed to register an increase in turnover to the target level was the Cashew Corporation which could record a turnover of Rs 40.1
crores, against the target of Rs 4
crores. The Handicrafts and Handlo
Corporation (HHEC) as well as
Projects and Equipment Corporat
(PEC) could approximate their target
Rs 31 crores and Rs 41.12 crores,
actual turnovers of the two corporati
being Rs 31.2 crores and Rs 41.1 cro
respectively.

Profits-wise, all the four units h
shown results better than the bud
estimates. The gross profit of STC
estimated to have been Rs 22.3 crore
Rs 3.3 crores more than the budge
figure of Rs 19 crores—that of Cash
Corporation Rs 4.5 crores as against
3.7 crores, of PEC Rs 1.4 crores
against Rs 1.3 crores and of HHEC
2.7 crores as against Rs 2.3 crores. I
the group as a whole, the gross profit
Rs 30.9 crores exceeded the budget es
mate of Rs 26.3 crores by Rs 4.6 cror
The net profits of the four units befo

are estimated at Rs 17.4 crores, Rs crores, Rs 50 lakhs and Rs 30 lakhs, pectively. Whereas these profits equal- the budget estimates in respect of C and HHEC, they showed an impro- nent over the estimates in the case of C and Cashew Corporation which e Rs 13.6 crores and Rs 3.9 crores.

net profit

For the group as a whole, the net profit ore tax at Rs 23 crores was higher n the budget estimate of Rs 18.3 crores Rs 4.7 crores. The net profit after tax has shown similar trends. In case of C, it is estimated to have amounted to 6.1 crores, as against the budget esti- te of Rs 4 crores. The Cashew Cor- ration has yielded Rs 1.4 crores, as ainst Rs 1.2 crores. The PEC and IEC have recorded net profits after tax ual to other budgeted figures of Rs 20 hs and Rs 30 lakhs. The overall net ofit after tax for the group comes to 8 crores, compared to the budget esti- te of Rs 5.7 crores. The net profits of four units after tax (Rs crores) in the ars 1974-75 and 1973-74 had been as lows: STC 6.4; 4.2, Cashew Corpora- on 1.3, 1.2; PEC 0.1, nil; and HHEC , 0.2.

The most noteworthy feature of the erations of the four units has been at the export targets set for them have en either equalled or somewhat impro- d. The STC was working to an export rget of Rs 731 crores as against Rs 8.6 crores and Rs 272.8 crores exports corded in the previous two years. Its ports in 1975-76 are provisionally ated to have gone up to Rs 756 crores. dications are that the actuals may ow a further increase by at least Rs 10 ores. The Cashew Corporation earned 1975-76 through exports nearly Rs 1.6 ores, as against the target of Rs 30 khs and the previous two years' earn- gs of Rs 20 lakhs and Rs 70 lakhs. The EC was able to step up its exports from 9.6 crores in 1973-74 to Rs 19.6 crores 1974-75 and to as much as Rs 32.6 ores in 1975-76. At this level, its ex- rts during the year just gone by fell ort of the target by just about Rs 10 khs. The exports of HHEC in 1975-76 amounted to Rs 30.9 crores, as against the target of Rs 31 crores and the actual exports of Rs 26.5 crores in 1974-75 and Rs 20.1 crores in 1973-74.

The major shortfalls from the budgeted turnovers have been shown by STC and Cashew Corporation on the import side. The STC imported in 1975-76 goods worth Rs 211 crores, as against the budget estimate of Rs 265 crores and the actual imports of Rs 231.9 crores in 1974-75 and Rs 206 crores in 1973-74. The imports of Cashew Corporation fell short of the budget estimate of Rs 46.5 crores by Rs 8 crores. At Rs 38.5 crores, the 1975-76 imports of this corporation were marginally higher than those in the previous two years which were of the order of Rs 36.4 crores and Rs 34.1 crores, respectively. The PEC was able to match its performance on the import side to the budget estimate of Rs 8.5 crores, which compared with Rs 7.8 crores imports in 1974-75 and Rs 8.8 crores imports in 1973-74. The HHEC imported materials worth Rs 10 lakhs, although the budget estimate did not contain any provision for it. No imports were effected by HHEC in the previous two years.

domestic trade

The domestic trade of the four units has been very limited all through their existence, since they are primarily meant for external trade. It was of the order of Rs 3 crores in the case of STC and Rs 20 lakhs in the case of HHEC.

The shorfall in the overall turnover from the budget estimate in the case of STC need not cause any concern since owing to decline in prices, the physical volume of imports has been more or less maintained. Further, imports have to be effected according to the needs of the clients. In the case of Cashew Corporation, however, the story is different. As a result of processing facilities being set up in the east African countries from where raw cashew imports are being effected, these imports are becoming more and more difficult. Although every effort is being made to continue imports to reasonable levels, the prices quoted by the suppliers are not conducive to maintenance of purchases. The corporation, therefore, is trying to step up indigenous production through getting some southern states interested in the establishment of new cashew plantations. Some difficulties in the operations of the Cashew Corporation, thus, cannot be ruled out in the immediate future, till domestic production is augmented.

satisfactory performance

On the exports side, the performance of the group as a whole can be termed satisfactory if note is taken of the fact that due to recession in world markets, larger quantities had to be shipped to keep up earnings. The most significant development has been that non-canalised exports have been stepped up during 1975-76 by as much as 72 per cent—from Rs 36 crores in 1974-75 to Rs 62 crores. The new products added to the list of exports were silver, linseed oil and HPS groundnuts. The sales of army software, finished leather, readymade garments, processed foods, chilled meat, tobacco and molasses were stepped up. The biggest earners of foreign exchange for STC in 1975-76, as in the previous year, of course, continued to be sugar (Rs 467 crores) and leather and leather goods (Rs 165 crores). The proceeds from the exports of these two items even exceeded the budget estimates for the year by Rs 57 crores and Rs 10 crores, respectively. Compared to 1974-75, the above exports were higher by Rs 153 crores and Rs 30 crores. The other exports which recorded sizeable improvements were those of oils and fats and processed foods. The former too exceeded the budget estimate, though the latter could not come up to expectations. Cement and salt exports as well registered good improvement.

Destination-wise, exports could be stepped up not only to west Asia but also to the United States of America and western Europe. Both western Europe and the the USA bought larger quantities of sugar as well as several other products. New markets were found in several areas. Fot instanee, Iraq became a major new buyer of rice and sulphate-resistent cement. Orders for shoe components were placed by the German Democratic Republic and Finland for the first time. South-east Asia became a substantial buyer of salt.

Contrary to the past practice, the STC chairman, of course, has not as yet indicated the targets for 1976-77. They are stated to be still under consideration. The most encouraging effort envisaged to be made by STC during 1976-77, however, is at stepping up non-canalised exports to a much greater extent than has been the case hitherto. Sugar exports are expected to decline because of fears of lower production during the current crushing season. But this shortfall may be made up by larger exports of textiles and processed foods. Exports of textiles as well as jute goods suffered sizeable setback in 1975-76, due to world recession and the very stiff competition being encountered from Bangladesh so far as jute manufactures are concerned.

bleak outlook

The recent abolition of export duties on jute goods are not anticipated to improve the situation as Bangladesh is reported to be undercutting our prices by as much as 25 per cent. A new package of assistance to this industry needs to be finalised expeditiously to meet the current situation. Textile exports should, of course, receive good fillip not only because of revival of global demand but also owing to the plan of STC to go in for exports of readymade garments through assisting in creation of capacity to produce quality products. Cut-throat competition in this line of export, which has been noticed in the past few months, of course, ought to be obviated.

Besides its trading activities, the emphasis being placed by STC on developmental efforts to foster exports in general is welcome. The developmental efforts are envisaged to be accelerated a great deal in the near future. Besides assisting in the creation of export-oriented capacities in readymade garments and leather, an ambitious programme is said to have been drawn up to provide technical and marketing assistance for carpets and other handicrafts. Leather goods exports are being sought to be multiplied fast in the coming years. The STC invited a high-powered delegation from the European Economic Community in this connection only a couple of months ago.

But the objective can be attained only if concerted efforts are made at strengthening the infrastructure for the leather goods industry. Some steps are understood to be under consideration in this regard. These include import of sophisticated equipments under open general licence. They, however, need to be augmented by a rationalisation of the excise and customs structures applicable to this industry. A levy of 40 per cent on the imports of equipment for the industry, indeed, is a heavy burden on manufacturing units which are of small and medium sizes. In case this levy cannot be abolished, subsidy to the corresponding extent can be thought of as developmental effort. The excise stru also ought to provide for a reaso high level of power consumption so the medium-sized units can be fos primarily for exports purposes.

In the interest of keeping up sugar ports, the proposals of STC for buil up a buffer stock of the commodity earmarking in a larger measure the duction of factories near the ports sales abroad need to be looked into peditiously. The problems arising ou the latter proposal on the domestic f are not unsurmountable. The deficit the supplies in areas from where la exports are effected can be made through movements from the inte This will help in ensuring exports of form quality as well in bringing d transportation costs.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Capital's Corridors

R.C. Ummat

Public sector's performance • Industrial growth rate • Bassein oil

Industrial and commercial undertak- of the central government are expected how an overall net profit (before tax) Rs 350 crores for the year just gone as against Rs 312 crores during 4-75. Disclosing this in a talk with smen after the presentation of the 4-75 annual report of these enterprises arliament last week, the Expenditure etary in the ministry of Finance and ctor-general of Bureau of Public erpises, Mr Ajit Mazoomdar, stated the expected improvement in the profit was despite the sizeable accumu- on of stocks with some units the icing of which entailed heavy interest ility.

Ir Mazoomdar agreed that some steps to be taken to smoothen the cash of public sector undertakings so that r ways and means position could be roved. One such method, he felt, d be the introduction of a system of scounting of their bills. This matter, ever, needed to be gone into in detail that the problem of large arrears ch were due to these undertakings n their customers could be tackled ctively.

internal resources

vicious circle is understood to have eloped in this regard which has to be ken. Already Coal India Limited has icated that as large a sum as Rs 90 res was due to it from its clients. e railway budget for the next year also indicated that some of the major lic sector undertakings owed to the ways at the end of 1975-76 financial r nearly Rs 25 crores, as against just 6 crores at the end of 1974-75.

The 1974-75 report of the central government's industrial and commercial undertakings has revealed that these enterprises have come a long way since 1970-71. As against, the overall gross profit, before payment of interest and tax, of Rs 146 crores in 1970-71, this profit improved to Rs 172 crores in 1971-72, Rs 245 crores in 1972-73, Rs 273 crores in 1973-74 and Rs 559 crores in 1974-75. The overall net profit, before tax, in these years amounted to Rs 20 crores, Rs 22crores, Rs 83 crores, Rs 149 crores and Rs 312 crores, respectively. After payment of tax, the overall position in 1970-71 and 1971-72 was a loss of Rs 3 crores and Rs 19 crores, respectively. There-after, these undertakings started showing overall profit—Rs 18 crores in 1972, Rs 64 crores in 1973-74 and Rs 312 crores in 1974-75.

larger turnover

The total investment in these undertakings grew from Rs 4,682 crores in 1970-71 to as much as Rs 7,261 crores in 1974-75. There turnover during this period went up from Rs 3,309 crores to Rs 10,217 crores.

Internal resources to the tune of Rs 204 crores were generated in 1970-71, Rs 215 crores in 1971-72 and Rs 260 crores in 1972-73. The generation of these resources got accelerated in the subsequent two years. It was of the order of Rs 387 crores in 1973-74 and Rs 580 crores in 1974-75.

The return on capital employed (gross profit as percentage of capital employed) improved between 1970-71 and 1974-75 from 3.9 per cent to 8.4 per cent. The return on paid up capital (net profit after tax as pe cent age of equity) went up from 0.6 per cent in 1972-73 to 4.9 per cent in 1974-75. As there were net losses in 1970-71 and 1971-72, there was no return on paid-up capital in those two years.

Although the steep increases in the prices of oil and the escalation in prices of some other products such as steel and fertilisers, have helped in boosting both the turnover and the overall profit of public sector undertakings to no small extent, the mounting production cost in several cases were not fully compensated by the increase in prices.

increased productivity

The increase in profit, thus has also been brought about to a significant extent by the increased productivity and better capacity utilisation. As against 25 units working up to 50 per cent capacity utilisation in 1972-73, only 16 units worked to this capacity in 1973-74 and 1974-75. The number of units whose utilisation of capacity was between 50 and 75 per cent grew in these three years from 16 to 27. Fifty-four units could utilise their capacity to more than 75 per cent in 1974-75, as against 45 units in 1973-74 and 41 units in 1972-73. During 1975-76, on the basis of the data available from 70 enterprises, out of 129, for the first nine months of this year, 41 units are said to have recorded more than 75 per cent capacity utilisation. Significant improvements in the utilization of capacity were registered, over their past performance, by the enterprises manufacturing steel, zinc, lead, petroleum products, drugs and pharmaceuticals, fertilizers, machine tools, photo films and heavy electricals.

Another noteworthy feature of the working of public sector enterprises has been that their inventories have progressively gone down since 1970-71. At the end of that year inventories at Rs 1,493 crores amounted to 5.6 month's output. There was a slight increase to 5.7 months' output at Rs 1,800 crores on March 31, 1972, but thereafter there has been a steady decline. At the end of March, 1973, at Rs 1,834 crores, inventories were of the order of 4.5 months' production. At Rs 1,458 crores, they declined to 4.3 months' output at the close of March, 1974, and at Rs 3,204 crores, to 3.9 months' production by March 31, 1975. The outputs during these years were of the order of Rs 3,174 crores, 3,814 crores, Rs 5,006 crores, Rs 6,795 crores, and Rs 9,980 crores respectively.

* *

The latest assessment of the union ministry of Industry and Civil Supplies has revealed that the growth of industrial production during 1975-76 is likely to be of the order of 4.5 per cent, exclusive of the small-scale sector, as against 2.5 per cent in 1974-75 and minus Rs 0.2 per cent in 1973-74.

An interesting feature of industrial production during 1975-76 is said to have been that during the second and the third quarters (since the declaration of emergency) of this year, the rate of growth averaged slightly more than 5.5 per cent, as compared to only 0.7 per cent during the first quarter. Anticipating the continuation of this trend in the January-March quarter, the rate of growth in 1975-76 as a whole has been estimated at least at 4.5 per cent with the expectation that it might be even around five per cent. The growth, it is pointed out, would have been even higher but for the decline in the production of cotton textiles and automobiles.

Another significant feature of industrial production during 1975-76 is said to have been an impressive increase in the production of the public sector undertakings. The weighted average rate of growth for these undertaking as a whole (excluding the NTC mills) is stated to have been of the order of nearly 15 per cent. Besides the public sector steel fertilizer plants and certain manufacturing units, the undertakings which have recorded an impressive increase in production are Hindustan Copper, Bharat Heavy Electricals, Hindustan Machine Tools, Bharat Ophthalmic Glass and the Cement Corporation of India.

The production of saleable steel dur- the first 11 months of 1975-76, for which data are available, amounted to 5.3 million tonnes, showing an increase of 20.3 per cent over the corresponding period of the previous year. Capacity utilisation in the main plants showed considerable improvement during this period.

Electricity generation recorded an increase of 12.5 per cent during these 11 months over the same period last year. Among fertilisers, nitrogenous fertilisers recorded an increase of 29.4 per cent.

As regard non-ferrous metals, the output of aluminium amounted to 169,000 tonnes, representing an increase of 46.6 per cent over the corresponding period of the previous year. The production of copper showed a still higher rate of growth, 63.8 per cent.

The output of cement, at 15.59 million tonnes, showed an increase of 16.4 per cent. The production of industrial machinery such as boilers, paper and pulp machinery, sugar mill machinery, etc., too registered a remarkable upswing.

In the transport sector, production of commercial vehicles during the 11 months to February amounted to 39,100 numbers, an increase of 6.7 per cent over the corresponding period of the previous year.

Among the consumer items, th duction of sugar, vanaspati and essential items such as soaps, baby etc., went up significantly. The o of cotton cloth, however, decline 9.3 per cent. The production of c yarn too went down but marginally. raisings during 1975-76 as a whole been estimated around 100 million to as against 88 million tonnes in 197

The tempo of industrial producti anticipated to pick up further du 1976-77. The Finance minister is st to have assumed a growth of 8 to 1 cent while drawing up his budget mates for this year.

* *

The limited tests conducted at first well in the Bassein structure Bombay High, which have been c pleted, have shown that this struc can yield crude oil to the extent of a four million tonnes per annum. means that sufficient reserves wil available in the already explored a off-shore west coast to produce 14 mi tonnes of oil per year by the end o current decade. If expeditiously d loped, they can go a long way in ma the country self-sufficient in oil in early 1980s.

Eastern Economist 30 Years Ago

APRIL 5, 1946

"The Middle East markets are searching for sources of supply and the business circles of these markets are convinced that India has now the opportunity and the means to take the position of Japan. These markets are prepared to buy the manufactured goods that India can offer and not only raw materials and semi-finished articles." Thus observes a report on trade prospects with the Middle East countries, including Turkey, in general and Egypt in particular, submitted to the Commerce Department by Mr J. A. Rahim, ICS, Government of India Trade Commissioner in Alexandria. The "hunger for" consumer goods, we are informed, has considerably increased throughout the Middle East. As a result of the war some of the principal supplies to these markets have disappeared, at least temporarily, and therein lies the opportunity for India as the demand cann satisfied in the near future out of the manufa ing capacity of the Middle East coun Examining prospects for specific commodities report states that there is everywhere in Middle East an acute scarcity of jute man tures, for which there is bound to be demand, particularly in Egypt where the u jute bags is essential for the transport of c to the ginning factories and subsequent pa for export. There is scope for increased offta Indian tea. There is also demand for I coffee. Egypt has been and will be a market for various kinds of high quality cons goods. In this class must be included silk art silk goods and the opportunity now ava can be utilised to advantage by India.

STC
in the national effort

Exports touch new heights

On 1st April, last year, STC set itself an export target of Rs. 731 crores—a further 30% increase on the substantial growth achieved in 1974-75.

This was an ambitious target. When the commodity boom was over, international prices were falling, and recession was stalking most parts of the world.

In view of India's foreign exchange needs, STC accepted the challenge—further improving its services, enhancing the quantum of exports, diversifying the product mix and locating new markets. During 1975-76, STC has exceeded its export target by Rs. 25 crores with forward planning, dedicated team work and sound management in the service of its clients and country.

In the year ended 31st March, 1976, STC achieved an export turnover of Rs. 756 crores. An increase of 35% over the previous year and 177% in two years. A progress of which STC can be justly proud.

Performance during the last three years

(Rs. crores)

	1973-74	*1974-75*	*1975-76 (Provisional)*
Exports	273	559	756
Imports	206	232	211
Domestic	11	3	3
Total sales	**490**	**794**	**970**
Equity capital	10	10	10
Reserves	17	22	26
Net worth	27	32	36

20% of the nation's exports are now handled by STC.

The main items contributing to the increased exports were sugar, semi-processed leather, cement, castor oil, shellac and salt.

The turnover of non-canalised exports recorded an increase of 72%—from Rs. 36 crores to Rs. 62 crores, through the increased exports of a wide range of products including silver, linseed oil and H.P.S. groundnuts, army software and readymade garments, molasses and tobacco, processed food and chilled meat.

The total turnover of the STC Group of Companies—comprising STC, CCI, PEC and HHEC amounted to Rs. 1082 crores, showing a growth of 22% over 1974-75.

Imports :

Sales totalled Rs. 211 crores showing a marked decline from the budget of Rs. 265 crores for the year.

No apology, however, need be made on this score since the required volume of imports was fully maintained and there was a resultant saving in foreign exchange.

Ample stocks of vital raw materials were available throughout the year. Substantial price reductions were offered to various industries in respect of chemicals, paint and plastic materials.

New Directions :

- ★ To assist the growers, price support activities were undertaken during the year in respect of shellac, groundnut oil and rubber.
- ★ A sum of Rs. 6 crores has been set aside in the Export Development Reserve which will be used to promote further exports.
- ★ Five Common Facilities Centres are being set up in Andhra Pradesh, Bihar, Tamil Nadu, U.P. and West Bengal to provide facilities to the weaker sections engaged in the Leatherware trade to turn semi-processed leather into finished leather for exports.
- ★ Large value orders have been obtained for direct export by STC of leather footwear footwear components and finished leather, to several new markets.
- ★ To give specialised services to user industries, the Chemicals, Drugs & Pharmaceuticals Divisions of the Corporation have been amalgamated to form State Chemicals and Pharmaceuticals Corporation Ltd. with effect from 1st April, 1976

STC
Trading internationally

STC

THE STATE TRADING CORPORATION OF INDIA LTD.
Chandralok, 36 Janpath, New Delhi [illegible]
Offices in metropolitan cities in India
and 22 important centres round the world

Subsidiaries :
Cashew Corporation
Projects & Equipment Corporation
Handicrafts & Handlooms Exports Corporation
State Chemicals & Pharmaceuticals Corporation

POINT OF VIEW

The Wealth of Nations: remembering Adam Smit

V. V. Joseph

REMEMBERING Adam Smith is synonimous with remembering his magnum opus which, known popularly in the abbreviated form as *The Wealth of Nations*, is a gigantic work running into 1097 pages entitled, 'An Inquiry Into The Nature And Causes of the Wealth of the Nations'! Adam Smith, the Scottish scholar became the father of Economics at the age of 53 when he, with the publication of his masterpiece on March 9, 1776, broke out as a sun upon a economic horizon which was clouded by doubts and fears. The March of 1976 thus marked the bicentennial of the publication of *The Wealth of Nations*. By now this Smithian Economic encyclopaedia has acquired two centuries of studentship and readership. And even after two centuries social scientists, publicmen and students turn to Smith's classics for authority and guidance.

epoch making event

The Wealth of Nations was the outcome of a decade's hard work, intellectual intercourse with eminent contemporaries, a pedantic parade of book-learning, consultations with predecessors and their works and a life-time study put in by this dynamic philsosopher who perceived the economic ideas from the business world. Like the dramatic declaration of American independence, which synchronized with the publication year of Smith's path-breaking and epoch-making document, *The Wealth of Nations* was equipped with revolutionary ideas so as to constitute a time bomb produced out of practical experience for economic freedom.

Smith's book has not only shaped the economic thinking of the people since its publication, it has also separated political economy from the mixture of other sciences and given it the status of an independent discipline. There are no two opinions about the fact that he has eclipsed the tentative efforts made by his predecessors in economic thought. Smith had derived inspiration for his great book from various sources such as his predecessors, his friends and associates and to a larger extent from the contemporary economic environment of England. His economic gospel does not contain a single analytical principle, idea or method which was altogether alien to 1776. Marx Lerner has aptly commented that *The Wealth of Nations* "is the outpouring not only of a great mind but also of an epoch". He absorbed ideas both from Mercantilism and Physiocracy, giving praise or blame as required to both the schools of thought without impairing his originality. We find his genius in working out a master synthesis and in amalgamating the diverse ideas and fragmentary studies into a great philosophical system. The Mercantilists had in one way or the other discussed "all imanner of economic problems". Similarly Physiocrates had given a systematic accouut of the economic process.

Yet Adam Smith occupies "So central a place in the history of Political Economy....so much of a legend" for political economy was a "brick" available to him but he "left it marble".

But a prudent reader can see scratches and stains on this 'marble', which were necessary to attract many followers and successors to renovate and plaster it. Say may be a little harsh in saying that there is a "vast chaos" in *The Wealth of Nations*. However, this chaos and the 'bias and ambiguity' of this lone Scot really prompted and inspired his posterity to develop the discipline of economics into the most dynamic science of all times.

master's influence

Adam Smith's professor Hutcheson at Glasgow exerted a profound and lasting influence upon his disciple and forestalled him at many points. His Mercantilist view on the balance of trade and population gave to Adam Smith a great deal of economic material to work upon. The importance of labour which was supreme for Adam Smith theory he imbibed in a rudimentary form from Hutcheson. This professor of our leader of Economic Thought ridiculed the Mercantilists' view of bullionism and found grain as a good measure of exchange. But for Adam Smith labour was everything. The Mercantilists in general had attributed 'the increase of nation's wealth to a favourable balance of trade; the Phy crats asserted that all wealth came f agriculture, and that all other occu tions are "unproductive".

In the Smithian dogma, the source all wealth is found in labour and in own words "The annual labour of e nation is the fund which originally supp it with all the necessaries and convenie of life which it annually consum Like Physiocrats Smith was more fav able to agriculture. And increase wealth according to him 'will depend skill, dexterity and judgement with w labour is applied'! He expounded principle of division of labour. And principle of division of labour has versal relevance today also. Even tho Adam Smith wrote when the Indust Revolution was in the-offing and macro-climate of England was sensin American writer Soma Golden has s in him as the first economic philosophe

laissez-faire theory

Though Adam Smith discussed in de wages, profit, the theory of internati trade and of capital, labour, popula etc., he is most popular as well as c cised for his ideologism of laissez-f capitalism. It is to be conceded that master-mind had projected the lais faire philosophy in conformity with magnificient transition of England. T critical of this philosophy will hav admit that this doctrine was consis with the complexity of transiti economic environment of Engl Actually the fundamental concept which helped Adam Smith in his gen groundwork, were the natural id invisible hand or force of laissez-f policy adopted from the early gra speculations and from the Chris theology.

He believed that self-interest of people would generate the total wel of the nation; that much of the econ life could be left to be shaped by individual. He concludes that sion of labour is the "expression man's continual need for the coopera and assistance of his fellows". In Smit words "Man has almost constant for the help of his brethren, and it vain for him to expect it from their volence only", Adam Smith adds ner : "It is not from the benevo- of the butcher, the brewer, or the r, that we expect our dinner, but their regard to their own interest". ety is brought together by exchanges h are primed by self-interest. This ot alien to our business world. He rts that "Every man.....becomes me measure a merchant".

avid Hume's liberal philosophy might prompted Smith to theorise the ez-faire policy. He might have thought flourishing commerce would emanate n free-trade only. Smith very much roved the policy of government's e-intervention in economic affairs. will however see him equally an interventionist also. He has made it clear that in those enterprises which the private individuals cannot manage efficiently and profitably, government intervention is welcome to generate more wealth for the nation.

The idea of public undertakings or governmental interference where necessary has thus been accepted by him whose memory we recall today. He had advocated a planned approach to population. He states: "Every species of animal naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species, and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce". In a way he warns about the consequences of unplanned family. To avoid cruel ways of eliminating surplus childern he was actually anticipating some sort of family planning. Smith died in 1770 leaving behind many starting points to Ricardo and Malthus for future development of this science. Honour should go to this great philosopher who as a scientist and practical methodologist set the pattern for the future development of the dynamic discipline of economics. Even to criticise Adam Smith it is necessary to take "a little Adam Smith inside us". As students of economics let us on the bicentennial of the publication of *The Wealth of Nations* give him a big salute in gratitude and rememberance.

Production of seed-potato in Himachal Pradesh

G. D. Vashist

D-POTATO plays a predominent role the economy of Himachal Pradesh; lone generates about Rs 30-35 million a single cash crop. Himachal Pradesh rightly be called the 'home' of seed-ato because it supplies about ten per t of the country's seed requirements this crop. The area under this crop the state in 1950-51 was 7,253 hectars d it went to 19,000 hectares in 71-72. Its production rose from ,737 tonnes in 1951-52 to 60,000 tons in 1971-72.

Though the yield of potato in our coun-y is almost eight times higher than that rice and seven-and-a-half times higher an that of wheat it is deplorably low mpared to other countries of the world, ne present Indian yield of potato is only ne tonnes per hectare against 20 tonnes other countries. Potato therefore, ffers great scope and hope, particularly r Himachal Pradesh if steps are taken increase yield per hectare. At this age, it is pertinent to examine critically ne growth rate in production, area and eld of seed-potato which, being one of ne important cash crops, enjoys pride of lace in the cropping pattern of this ate, to serve as a basis for future policy ecisions.

This study is therefore intended o ascertain the relative contribution f area and productivity in increasing roduction of seed-potato in Himachal radesh.

More specifically the objectives of the present study are:

(1) To work out the growth rate of seed-potato in Himachal Pradesh; and

(2) To examine the contribution of area, productivity and production of seed-potato in the state during the Plan periods.

The data used here on production, yield (productivity) and acreage of seed-potato were obtained from different published sources. These data pertain to the period from 1950-51 through 1971-72. However, the data on production for the year 1950-51 were not available. These were calculated by the simple method of interpolation, assuming that (1) there were no abrupt variations in the data from 1950-51 to 1951-52 and (2) the productivity was same in 1950-51 and 1951-52.

Compound growth rates were worked out by the least squares method fitting exponential function of the type $Y=AB^x$ to the indices of production, productivity and acreage with the average of 1950-51 through 1971-72 as base 100. Further, with a view to examining the impact of the plans on production, yield and area, analysis of variance technique was utilized. Simple correlation coefficients were also calculated to examine the extent of correlation of production with area and yield.

Simple statistical tools such as arithmetic mean, standard deviation and coefficient of variation were worked out for each of the series of indices of production, productivity and area to facilitate better understanding of the magnitude and pattern of changes in the level of production, cropped area and productivity of seed potato. These results are summarized in Table I.

TABLE I

Arithmetic Mean, Standard Deviation and Coefficient of Variation of Indices 1950-51 Through 1971-72.

(1950-51=100)

Particulars	A.M.	S.D.	C.V.%
Production	257.48	149.52	58.07
Productivity	142.00	40.11	28.25
Area	170.91	52.94	30.98

Further, to examine the correlation of production with area and yield of seed-potato, coefficients of correlation were worked out and are given in Table II. The values of coefficients of correlation of production with area and yield were 0.92 and 0.94 respectively which were highly significant at one per cent level of significance. The coefficient of correlation between yield and production was higher than that between area and production indicating thereby that the increase in yield countributed more to boost production than the expansion of area under seed-potato.

TABLE II

Coefficients of Correlation

Correlation between	'r'	't'	Significance level %
Production and Area	0.92	10.54	1
Production and Productivity	0.94	12.35	1

Similarly, the cropped acreage under seed-potato experienced a sizeable increase. The growth rate of cropped area was 4.6 per cent and it was highly significant at one per cent level of significance. Thus, it can be seen from Table III that the highest growth rate was observed in production followed by cropped area and least in productivity. Evidently, the changes in cropped area were mainly responsible for the changes in the production of seed-potato in Himachal Pradesh. As compared to the growth rate of acreage under the crop (4.6 per cent) the coefficient of growth rate productivity (2.8 per cent) is not very encouraging. Compound growth rates of production, productivity and cropped acreage are depicted in Table III.

Table III shows that the compound growth rates of production of seed-potato were highly significant from 1950-51 through 1971-72. The production expanded at a compound growth rate of 7.6 per cent and the value was significant at one per cent level of significance.

Likewise, the coefficient of productivity per hectare turned out to be 2.8 per cent and it was significant at one per cent level of significance.

In order to visualise, the impact of the five-year Plans on the cultivation of seed-potato, the data were analysed further with the help of the analysis of variance technique. Due to the lack of data for the complete period of fourth five-year Plan, the analysis was limited to the three-Plans periods only. Results are given in Table IV.

A cursory glance of Table IV indicates that there was a significant difference between one Plan and another in the production of seed-potato. The variation ratio of seed-potato production for the three Plans periods was 9.6681 and it was highly significant at one per cent. As against this, the Plan years' effect turned out to be not significant for production, yield as well as the cropped acreage. This indicates that the growth rate was not cumulative over the Plan years.

The effect of the Plan efforts on productivity turned out to be not significant. The value of variation ratio was 0.1106 and it was significant. This
that the seed-potato growers d
adopt the yield-increasing t
logy like improved varieties, fe
etc. As observed earlier, the yea
not have significant effect on the
of productivity of this crop i
state.

TABLE III

Compound Growth Rate (CGR) of Area, Production and Yield of Potato 1950-51 through 1971-72

Factors	'B' value	CGR %	S E of growth rate	't' value
Production	1.076	7.6	.7681	9.8701 **
Productivity	1.028	2.6	.6154	4.5161***
Acreage	1.046	4.6	.2158	21.9011***

TABLE IV

Variation Ratio of Acreage, Production and Productivity for Seed-Potato

Factors	Sources of Variation	Variation ratio	Level of significance
1. Production	(i) plans	9.6681	1 percent
	(ii) years	0.5759	NS
2. Productivity	(i) plans	0.1106	NS
	(ii) years	0.0969	NS
3. Acreage	(i) plans	56.3187	1 per cent
	(ii) years	2.6747	NS

The analysis also brought out
that the Plan efforts had sign
effect on the area under seed-p
The value of variation ratio was 56
It was highly significant at one pe
level of significance. However, the
did not affect the expansion o
under the seed-potato significantly.

insignificant effect

The analysis of variance thus
cated that the production of seed-p
increased significantly during the
five-year Plans; the increase in pr
tion also resulted through the expa
of acreage under this crop. It
that the different Plans had signi
effect on production and area
seed-potato whereas the years had
ficant effect on production, produc
and area of this crop. Also, effect
Plan efforts on productivity wa
significant. In fact, the increase in
duction of seed-potato was mainly
to the expansion of cropped area
this crop.

In short, it can be concluded tha
production, productivity and area
seed-potato are all increasing
Himachal Pradesh. The effect o
planning efforts of the governmen
examined with the help of analy
variance technique. It was br
out conclusively that the year-t
developmental efforts and their eff
production, productivity as well as
did not significanty affect the seed-
in Himachal Pradesh. Thus th
an immediate need to examine cri
the existing governmental progra
aimed at increasing the productio
productivity of seed-potato a
redesign the plans realistically
light of experience gained durin
last 20 years or so and plug the lo
les in the existing ones. The pla
prepared must be implemented in
earnest to get the desired results.
ther, the government machinery r
ponsible for the implementation of
rent schemes to boost the produ
of seed-potato in this state needs
strengthened and overhauled. Th
ernment should also provide in
to seed-potato growers in the fo
assured minimum prices and
markets. All these measures
a long way to encourage potato p
tion in Himachal Pradesh.

ECD seeks to strengthen competition

London

Jossleyn Hennessy

I
ECENT DEVELOPMENTS

THE last few years governments' poli-
on competition have undergone pro-
ıd changes, as is evident from recent
slative trends. OECD's Committee of
erts on Restrictive Business Practices
ılarly reviews developments in com-
tion policy in legislation on restrictive
iness practices and its application in
CD Member countries. In what follows
scuss developments in OECD Member
ntries since 1973.

leasures to ensure competition have
n strengthened over the last few years,
in stages each having a different
racter. Except for the United States
Canada, where antitrust legislation
es from the end of the 19th century,
first steps in building up a body of
npetition law were taken after World
r II by measures to control cartels.
h action is in accordance with the
ditional aims of competition policy—to
tect the market mechanism from dis-
tion from restrictions imposed by
vate parties.

rovisions prohibiting resale price
intenance, refusal to sell, or discrimina-
n, which have often been adopted sub-
uently, stem from governments' desire
combat inflation and modernise the
tribution system.

Most recent developments indicate that
re and more OECD countries will have
system for controlling, or even prohi-
ng, certain types of merger, as a direct
sequence of the accelerating trend
vards greater concentration which
aracterises most OECD countries. It
uld appear therefore that competition
licy in many Member countries will no
ger limit itself to improving the opera-
n of markets but will also attempt to
dify their structure, though perhaps
hout imposing such stringent control as
the United States.

In the period 1973 to 1975 one can see
erging—beyond the traditional aims of
npetition policy and growing concern
h control of inflationary pressures—a
more recent preoccupation—protecting the interests of consumers. In West Germany for example, the 1973 amendment to the Act against Restraints on Competition, which substantially reinforced the country's antitrust policy, aims not only at more efficacious control over the creation and exploitation of market power, but also at improving competitive conditions for small and medium-sized enterprises. The new provisions are also intended to maintain price stability and to strengthen the market position of the consumer. This is done *indirectly* by extending the degree of control over market-dominating firms and by controlling mergers and, more *directly*, by prohibiting resale price maintenance and increasing control over recommended prices.

Australia : The situation is similar in Australia where the 1974 Trade Practices Act was presented to Parliament as an anti-inflationary measure in accordance with an OECD Council recommedation of 1971 concerning action against inflation in the field of competition policy.

consumers' protection

The Act itself covers not only restrictive business practices but also consumers' protection. It provides for more rigorous, comprehensive and effective control of restrictive business practices than the legislation which it replaces. The Act breaks new ground in that it is based upon prohibition of the six practices most frequently encountered: contracts, arrangements or understandings in restraint of trade or commerce; monopolisation; exclusive dealings; resale price maintenance; price discrimination and anti-competitive mergers—save where the parties concerned can show that the practice in question entails a specific and substantial benefit to the public in which case special authorisations are granted. Administratively, it sets up a Trade Practices Commission which is responsible for enforcing measures concerning both restrictive trade practices and consumer protection.

United Kingdom: In the UK, the 1973 Fair Trading Act changed the law relating to consumer protection, monoplies, mergers and restrictive practices. The Act provides a Director General of Fair Trading with wide powers to enforce competition and cousumer protection policies. The new act largely consolidates the existing law on monopolies and mergers, but there are important modifications intended to strengthen the law and take account of the new role of the director general. He has the duty of keeping monopoly situations under review and, except for certain public sector industries, it is he who will normally refer cases to the Monopolies and Mergers Commission. Control of mergers is appreciably strengthened by a redefinition of monopoly: a firm is now defined as a monopoly if it has one quarter of the market as against a third before.

Finland: In Finland the 1973 Act on the Promotion of Econmic Competition established a National Board of Trade and Consumer Interests, the duties of which include price control, measures relating to economic competition, consumer questions and part of foodstuffs control. The basic idea behind the organised change was the realisation that price, competition and consumer questions are closely linked. As part of these changes, an Office of Competition Ombudsman was created.

stringent measures

France: In France the 1973 Act regulating Trades and Crafts introduced various measures to put traders on a more equal footing in obtaining supplies. Thus, it is an offence for producers to fix discriminatory prices or conditions of sale not justified by differences in the cost of the goods or services traded. These provisions mainly aim to prevent big buyers from using their bargaining strength against their suppliers.

More generally, the new Act provides recourse for victims of commercial offences, enabling them to secure a criminal conviction against the offenders and civil damages for loss incurred. Consequently victims of uncompetitive practices (excluding those resulting from cartels or dominant positions) may directly bring their claims for compensation before the criminal courts. There are also provisions which allow consumer protection associations to institute proceedings in the event of acts harmful to consumers.

USA: In the USA, two important new laws have been adopted: (1) In 1974 substantially raised criminal penalties for violation of the anti-trust laws; (2) in 1975 amended the Federal Trade Commission Act giving the commission wider enforcement powers: henceforth the commission may bring suits for damage on behalf of all consumers harmed by unfair acts or practices.

II
ACTION AFFECTING MARKET

Japan: In Japan, experience in applying the law of Emergency Measures for the stabilisation of National Livelihood and the Act for the Adjustment of Supply and Demand of Petroleum, adopted in 1973 and abrogated in 1974, showed that the most effective method of stabilising prices was to consolidate the market mechanism, and that measures in substitute for the market should be confined to the minimum. Thus, e.g. the Economic Planning Agency reported in its 1973-1974 survey that to meet the nation's economic goals, the price mechanism must be allowed to function without interference and that a code of behaviour for businesses and rules for intervention by the public authorities should be clearly defined.

The need for more direct action on market structures also emerged following problems raised by cartels and lack of competition in highly concentrated industries. Thus the Fair Trade Commission (FTC) undertook to form a special committee to revise the Antimonopoly Act. Under a Bill now being drafted, the FTC could be empowered to order an entrepreneur to split up a company to end a monopoly situation.

Ireland: In Ireland, the Bill to control mergers, take-overs and monopolies, which lapsed on the dissolution of Parliament in 1973, has been revised and re-introduced.

Netherlands: In the Netherlands, the minister of Economic Affairs recently consulted the Social and Economic Council about the introduction of preventive merger controls. Following an opinion handed down by this council in June, 1973, on competition policy, three Bills will shortly be laid before Parliament intended to prohibit horizontal price agreements and retail price maintenance and to establish a Public Register of Restrictive Agreements.

Canada: In Canada, a major legislative reform is in hand. The first stage deals with direct consumer protection and certain trade practices and sets out new offences against competition. This is now before Parliament and the government has announced that it will proceed rapidly with the second stage, which is concerned with mergers, monopolies, price discrimination and specialisation agreements.

Sweden, Switzerland and France : Growing concentration and numbers of mergers are more and more of concern to the competition authorities. Thus apart from Japan, Ireland, the Netherlands and Canada, three other countries, France, Sweden and Switzerland, have asked existing bodies, or have established new commissions, to study these questions in order to institute merger control where there is none and to strengthen already existing controls.

The EEC: In the European Communities, the Council of Ministers has begun to consider the commissions' proposal for regulations to control mergers, the main aim of which is to prevent mergers above a certain size which give the power to hinder effective competition within the Common Market. Mergers involving firms with aggregate sales of 1,000 million units of EEC account would be subject to prior notification.

If the action taken in the seven OECD countries mentioned above and in the EEC were to result in new regulations, it would mean that a fundamental step forward in the development of competition policy had been made in 1973-75, especially in OECD countries, because West Germany and the UK have already appreciably strengthened their merger controls, and Australia has also adopted such controls.

III
APPLICATION OF LAWS

During 1973-75, a number of OECD countries instituted proceedings to combat various practices which have come to light in the oil and pharmaceutical industries.

Oil Industry: In West Germany, proceedings were begun in several cases of alleged excessive price increases by multinational oil companies and, in one case, refusal by the West German subsiduary of a multinational to supply independent petrol stations. The p of independent distributors wa raised in Switzerland by the Commission. The commission, with similar decisions in other cou recommended that integrated oil panies which are in an oligop position should continue to sup dependent dealers on the same te company owned stations, even in p of market shortages.

The USA: In the USA the F Trade Commission has accused the largest oil companies of having agr monopolise the refining of oil in th coast and gulf coast areas of the A similar inquiry is in hand in the coast.

France: In France, the reappea of a seller's market in oil produc led to a sharp increase in refusals t and in government interventions to tect independent retailers and against the tendency of the oil pr suppliers to hold back stocks or to their own customers priority.

operation of cartels

The Technical Commission on C and Dominant Positions investi competition in the entire distrib sector of the petroleum products ind and found that the oil companies had four uncompetitive practices: mutua cation of market shares by rigid q with a system of fines, applicable t eight groups which handle all refini France; sharing among the main prises of the most important o including those from the public se concerted action to raise the general of prices; retaliation against indepe retailers interfering with the operatio the cartels.

The commission's solution was a tocol on the application of rul competition to the distribution of refinery products. The protocol pres the rules of competition which th companies must observe and the of cooperation authorised in no times. It also considers the possibil periods of crisis which might, certain conditions, justify more cl concerted action between the enterpr

Japan: In Japan, the FTC fouud twelve oil refining and distribution panies which had formed a cartel t the selling prices of petroleum prod and the Petroleum Association whic fixed oil production quotas, wer violating the Antimonopoly Act. case was taken to the Tokyo High it is now pending. Seventy consu- who alleged that the cartel had l prices up have launched a suit for ges before the same court.

therlands: In the Netherlands, the ter of Economic Affairs in April, ordered nine oil companies to y petrol to a central purchasing iation of nineteen independent whole- s. The companies had refused to ly the association with petrol during uel shortage in the winter of 1973-74, ing that they could not do so with- damaging buyers who had contractual ions with them. The minister laid n the price and other conditions er which the association must be plied; a further decision stipulated amounts of petrol that each of the panies must supply to the asso- ion. Seven of the nine companies ealed against the minister. The Crown cted the appeal after consulting the ncil of State, and upheld the ister.

harmaceutical Industry: In pharmaceu- ls, the outstanding event was the pub- ation in 1973 in the UK of the Mono- lies Commission on tranquiliser drugs sold under the brand names Librium and Valium. The commission said that the prices charged in the UK had been soo high for several years and that the Roche group had obtained thereby unjustifiable profits. The commission recommended that the prices of Librium and Valium be reduced to 40 and 25 per cent respectively of the 1970 prices. The comission recommended that there should be negotiations with Roche for the repayment of large sums to the Department of Health and Social Security to compensate for the excessive prices already paid. The minister ordered that the prices of the two drugs be reduced.

Netherlands: In the Netherlands, the actions against Librium and Valium in the UK led to questions in the Dutch Parliament on the prices of these products. The ministry opened an inquiry, which revealed that the prices of Valium and Librium varied appreciably within the EEC; prices in the UK were lowest, while Dutch prices were twice those of the UK. The company proposed an average 25 per cent price cut and a further subsequent retrospective cut if the minister refrained from taking any interim measure. The government accepted this but sought the advice of the Economic Competition Commission because it wished to secure a still larger cut in prices for Librium and Valium.

West Germany: The West German Federal Cartel Office also handed down a decision against the manufacturer of tranquilisers containing Librium and Valium for having charged excessive prices. This case is still under appeal. In Switzerland, after the proceedings in West Germany and in the UK, the Cartels Commission requested Hoffman La Roche to give information about the prices of Librium and Valium, but found no cause for an enquiry because the prices of pharmaceuticals in Switzerland are controlled to a certain extent.

The Librium and Valium Moral: The cases of Librium, Valium and of those in the oil industry demonstrate the international character gradually overtaking the entire field of restrictive business practices. A Bill discussed, or a case brought in the courts, in one country rapidly leads to similar action in neighbouring countries.

UNCTAD board drags its feet

E.B. Brook, Vienna

HERE IS little in the way of constructive commendation for the full conference UNCTAD to take over from its board hen it meets in Nairobi in May. The bard's disappointing session in Geneva mid-March did little or nothing to elp the full session reach decisions help- l to the commerce of industrially deve- ping countries.

As had been expected, the long discuss- l plan for buffer stocks, to be paid for om a fund financed by all UNCTAD embers, found no agreement among the 8 members of UNCTAD's board. The an, designed as part of a programme to elp developing countries exports, had een drawn up by the UN Conference on rade and Development's secretariat. It rovided for the stockpiling of such ommodities as rubber, tin, coffee and rome in designated warehousing reas. The purpose of the accumulation nd holding of these commodity stocks to have them available when market rices have risen and stabilized sufficient- to ensure, if not a profitable sale at east avoidance of loss, in selling commodities by or on behalf of the producer countries.

All too often in recent years producers of tin, copper, coffee and other primary commodities have been obliged to sell the current stocks of their chief or sole raw materials at a loss because of glut or an insufficiency of ready buyers in the world markets. Some African states, which have been not yet had time even to begin developing their commercial economies, have been especially severely hit by such circumstances.

The secretariat's plan was for stockpiling under the authority of UNCTAD in such established warehousing areas as London, Hamburg and Genoa. The plan has never been popular with the established trading states, whether of the free market or of the socialist economies. They feared blockage of storage space when availability would be essential to contemporary requirements: they are specially distrustful of the funding proposals, fearing they would have to meet most of the bill for storage as well as provide the space, much of which is often filled to the roof, as was recently the case with tin wharehousing. The USA the Common Market and the Soviet Union were united in regarding the plan sceptically, especially for the reasons stated.

There may be a more general recognition of the need for an international machinery to place the products of the least commercially viable countries on the markets at the more advantageous moments or, at least, to spare them capital loss, but there is no sign of any such machinery being designed. The Netherlands and Norway gave some support to the stockpiling concept; the rest excused themselves by submitting that buffer stocks was only one possible stocking arrangements on a national or international level, but failed to elaborate what alternative plans they had in mind.

At the moment, plans to help the commercially weakest and least experienced nations in the practice of their world commerce are limited to the usual opporunities for profit and loss, to expression f goodwill negated by widespread in-ifference and not a little reluctance to nake highly competitive markets a little ess fierce for the weaker traders. The UNCTAD board could not even agree on he text of a final communique; the outlook for the Nairobi session of UNCTAD the fourth since its foundation, is so bleak as to suggest that commerce is one of the weakest units of the United Nations' efforts.

The experience of the major trading nations in recent years has revealed to them—if they were not aware of it already—the unexpected pitfalls in world commerce. World trade recession since 1974 has been severe and prolonged and made the more bitter by memories of the booming sixties. The volume of world trade fell by about nine per cent last year—the first major decline since 1945. Contracting activity in the economies of the largest trading states—with very little evidence of recovery except, slowly, in the USA—is still setting back the recovery of the smaller of the principal trading nations.

brighter outlook

The UN's Economic Commission (ECE) has reported this month that inflation is expected to decrease from its highest level of 13 per cent in 1975 to about 10 per cent this year overall but that in Britain and Italy, among the larger trading states, it would remain higher than 10 per cent unless consumers' confidence recovered to an unexpected extent. These difficulties, while creating some closer understanding of the more desperate problems of the weakest trading nations, have failed to make the major commercial world more noticeably helpful in supporting the weakest to withstand the dramatic worsening of their economic condition. The ECE remarked: "The debts of the developing countries are accumulating and a continually larger part of their export earnings is mortaged. This in turn limits their capacity to import and their scope for growth."

The devaluation of the lira and the French franc following that of the peseta and the fall in the exchange value of the sterling have put great strains on the west European currency joint float, known as the "snake". Bankers have suggested that the joint float be temporarily abandoned and that all currencies should float freely for a while—a move that would lead to a de facto revaluation of the mark. Political factors in W. Germany will almost certainly prevent this sensible and healthy move; elections in the USA will similarly make preservation of an international show of strength where none exists temporarily expedient. The unpredictable time is the period after the elections in autumn and the year-end holidays when restraints are off. Until then at the earliest, the USA and western Eourpe—where prices rise steadily and, in some cases, fantastically (beef costs—£10 a pound in Hamburg)—will be intent on permit as little change as possible and on trying to ignore it when change is unavoidable.

The west European attitude is negative and will remain so until many uncertainties have been resolved. It is content to help preserve international peace by carrying a huge credit debt which the Soviet Union and east Europe generally has piled up to help forward their five-year industrial development plans. East Europe's debt in credits to western Europe is now over $27 billion. Without this massive credit and debt servicing east Europe would have made even less progress than it has achieved; and the rate of expansion in east Europe is slowing down even with this help—the rate of growth in 1975 at 5.1 per cent was exactly one per cent less than that for 1974. East Europe now has 30 banks working in west Europe—often with western participation—to handle the loans and financing and to make a realistic profit from the well-known capitalist business of handling other peoples' money.

The negative tone in west Europe is measured by the steady high level of
employment, the unhealthy speci
high level of worklessness among yo
people, the steady rise in short-t
working and, most revealing of all,
unwillingness of business to invest. B
ness is still selling off stocks rather t
investing in new production. The for
worker is meeting steadily less welco
Cologne has banned foreign workers f
living within its limits unless they c
from a Common Market country; Finl
and Sweden are stopping the influx
Turkish workers, some of whom are
ing to move on from West Germany
Austria and others who have left ho
because of the hopelessness of find
work there.

The Market itself is in the position
failing to do anything worthy of its h
organisation. The joint farm policy
reached the point where strains are
most unbearable. Tha effect of curre
fluctuations has been to impose w
amount to tariffs within the suppo
free-trade area. The market has fa
to set a minimum safeguard price
crude-oil imports which will delay sett
up an energy policy for the Commu
and continue excessive dependence
oil for industry. The hang-over of
oil crisis and related balance of payme
difficulties check initiative to prod
export-directed business upswings.
serious bargaining begins again
Geneva over tariff cuts, with the o
serious initiative from the USA, west
Europe's response is typically nega
and lacking in suggestions.

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lectrical engineering in Romania

A Correspondent

ANIAN ELECTRICAL engineering has rded a high rate of growth accom- ed by a marked process of diversifi- on and improvement in production so meet the changing state of the e economy. It has also adjusted f to world trends.

he output of electrical engineering in 5 was over 20 times bigger than the duction in 1960; consequently, its e in machine-building as a whole is e than 25 per cent. In the structure electrical engineering the share of tronics has risen within one decade he (1965-1975) from 25 per cent to 39 cent.

diversification of structure

A central question is the improvement he structure and diversification of put in keeping with the necessities of national economy. In 1965, of the al electronics output, 74 per cent was vered by consumer goods. This situa- n was not satisfactory. A change was eded in the production of electronic mponents, especially of those needed r industrial purposes. Efforts have en made towards the assimilation of w technology, the transistorising of ctronic equipment, and the use of easurement apparatus in analogical or gital variants. Consequently Romania rns out today transistorised electronic pparatus for radios medicine and biology. emarkable progress has been made in e domain of automation following the troduction of professional electronic vices.

Romanian electronics industry has built ELIX-C-256 computers (universal com- ter of medium capacity of the third neration), the first Romanian-designed mputer FELIX-C-32 of small capacity it of the third generation useful for ok-keeping in enterprises, management technological processes, and technico- ientific computation. Invoicing, com- itation and book-keening machines, mory modules, peripheral equipment and others also make use of the latest electronic techniques.

Of major importance for the national economy are high-power transformers and the high voltage apparatus needed by the national grid, covering the whole assortment up to voltages of 400 kV. The new series of distribution transformers which replaced the series elaborated in 1968, brings about reduction of power losses by some 8-10 per cent.

The scope of electro-technical consumer goods has been enlarged and their quality has been improved. Let us recall for instance the complete transistorization of all types of radio sets and at a high level of TV sets, the fabrication of new assortments such as oil radiators, asymmetrical beacons, compressor refrigerators, as also the modernization of most of the products currently being fabricated.

The performance of the products turned out by the machine-building industry, as also by other sectors of the national economy, is greatly conditioned by the characteristic features of the equipment and components manufactured in the electronics industry. Not only are their sizes small but they also perform new functions. It is worthy of mention that in the total investments in equipment in Romania, the share for electrical engineering will reach, under the current five-year plan (1976-77) 25 to 30 per cent.

self-reliance

To play an important role in the promotion of the policy of increased self-reliance, electrical engineering can make diversification of products and increased participation in the manufacturing of the complex installations needed for the modernization and development of the other branches of the national economy.

Few industries are characterised by such a fast rate of renewal of production. Whereas in the early stages the renewal and improvement in production were based largely on the purchase of licences, in recent years more and more of these products are being designed at home. Under the current five-year plan, this tendency gets more marked. A majority of products is to be of Romanian design, the imports meaning only of a few licences of highly technical apparatus. New diesel and electric locomotives, controlled rectifiers, special equipment for machine tools, improved series of electric machines, power condensers, electronic components and integrated circuits, electronic computers, electric apparatus of air commutation, some electric and electronic consumer goods, cables, electro-insulating materials are among the products currently being manufactured.

skilled manpower

The highly qualitative tasks listed in the current five-year plan for electrical engineering (which employs equipment of the highest technical standard and manufactures products of special fineness and accuracy) call for a persevering concern with an adequate training of manpower. The task has become complex since some factories have been recently built in zones with lesser industrial traditions. Increasing particularly will be the share of the staff in the design activity, so as to meet the programmes of assimilation of the new products and of raising the technical-standard of production. It is envisaged that this share will reach 6.3 per cent in 1980 as against only 3.1 per cent at present.

As to the medium-trained cadres of technicians and foremen, the new schools have trained in the last 2-3 years on the average over 2,400 a year. The demand of the existing enterprises is being met but special attention will need to be paid to the new industrial objectives in zones with lesser industrial tradition, and for which the question of cadres' training, be they workers, technicians, foremen or engineers, will become a question of high priority.

TRADE WINDS

India-Canada Cooperation

RECOGNISING THE importance of dryland agriculture in the country's economy, a National Committee of Experts constituted by the Planning Commission, emphasised in 1969, that attention should be paid to the improvement of production and income potential of semi-arid farming and high altitude and humid area farming. As a result, the All-India Coordinated Research Project of Dryland Agriculture was started during the fourth five year Plan, with an outlay of Rs 1.78 crores. In view of the imporance given to the dryland agriculture, the government of Canada came forward to collaborate with the government of India in this national effort during the fourth Plan period. Accordingly, an Indo-Canadian Agreement was signed in August 1970, for five years, which was subsequently extended upto March 31, 1976. The Canadian government contributed 1.9 million dollars (Canadian) for Phase I of the project.

The research conducted under the project so far has shown that yields could be increased by at least 100 per cent by using improved varieties, good sowing methods, weed control and proper water and fertilizer use. It has also been established that crop production could be intensified by growing intercrops or sequential crops in certain regions by exploiting the agro-climatic resources. The Research Project on Dryland Agriculture is being intensified in the fifth Plan programme. The Canadian government has proposed to continue its support in Phase II of the collaboration for the Dryland project during the fifth Plan period. A five-year technical collaboration agreement on Dryland Agriculture was, therefore, signed recently between the governments of India and Canada.

The government of Canada will contribute 1.63 million dollars (Canadian) in foreign currency and Rs 1.15 crores, in Indian currency, during the five year period. The foreign exchange component of the contribution will be utilised primarily for cooperative research, exchange of scientists, field and laboratory equipments and supplies. A sum of Rs 34.3 crores has been provided by the government of India, for the All-India Coordinated Research Project on Dryland Agriculture, during the fifth Plan period.

Yen Credit

The governments of Japan and India recently exchanged notes concerning the Japanese commodity loan to India for the year 1975-76 upto an amount of 7 billion Yen (equivalent to Rs 20.89 crores at the current exchange rate). The notes were exchanged between Mr Takashi Suzuki, Ambassador of Japan to India and Mr M. G. Kaul, Secretary, Department of Economic Affairs, ministry of Finance, on behalf of their respective governments. This commodity loan is a part of the fifteenth Yen Credit in the aggregate amount of 30.2 billion Yen (equivalent to Rs 90 crores at the current exchange rate) extended by Japan to India for the year 1975-76.

Another note covering the other segments of the fifteenth Yen Credit, viz. Debt Relief Loan for 12.3 billion Yen (equivalent to Rs 36.59 crores at the current exchange rate) and Project Loan for 10.9 billion Yen (equivalent to Rs 32.52 crores at the current exchange rate), were exchanged on August 22 and September 12, 1975, respectively.

Economic Assistance to Mozambique

The deputy minister in the ministry of External Affairs, Mr Bipinpal Das stated in the Lok Sabha recently that at present, when Mozambique has taken the bold and principle step of imposing UN sanctions against Rhodesia, the sympathies of the government and people of India are wholly with Mozambique and the freedom fighters of Zimbabwe. As a mark of our solidarity with the government of Mozambique in this critical situation, this country has decided to extend economic and technical assistance to Mozambique.

The extent and form of such assistance will be determined only after we hear further from the Secretary General of the United Nations and the Secretary General of the Commonwealth as well as from the government of Mozambique about the priorities of their requirements. In the meantime, this country, as an immediate gesture, decided to make a grant of Rs 900,000 as assistance to the government of Mozambique to be used for the purchase of some of its requirements from India. This grant will form part of the collective contribution to Mozambique by the Commonwealth.

Banks to Receive Taxes

From April 1, 1976, income-tax and other direct taxes can be deposited in selected public sector banks. Under a new
scheme aimed at pro
greater facilities to ci
selected public sector
in eight metropolitan c
started receiving the
ments. These payment
be accepted by the auth
branches only in cash o
local cheque or draft
specifically on the bran
the public sector ban
which the payment is
made. The eight metropo
centres where the scheme
been introduced are Ahr
bad, Bangalore, Greater
bay, Calcutta, Delhi
New Delhi, Hyderabad,
pur and Madras.

Previously the income
other direct taxes were co
ted only by the Reserve
of India in the metropo
cities and by some of
branches of the State Ban
a subsidiary of the S
Bank conducting governm
business. The existing fa
ties for payment at these
tres will continue. The n
ber of receiving points
direct taxes is being increa
so that the taxpayers are
put to inconvenience.

Scooters Plant at Jammu

An agreement has b
signed between Scooters In
Limited (a public sector
under the ministry of Ind
try and Civil Supplies) and
Jammu and Kashmir Ind
trial Development Corporat
for the erection of a scoo
manufacturing factory
Jammu. This unit will h
an annual production ca
city for the manufacture
12,000 scooters. The type
be the same as the 'Vi
scooter manufactured at Lu
now and already marketed
Scooters India Limited. Sc
ters India Limited have lice
ed seven units for the ma
facture of these scooters
various parts of the coun
Under the licensing agr
ment, the engine and tra
mission will be supplied
Scooters India Limited, wl
other parts will be manuf
tured by the state units.
machines would be assemb

ıch unit and marketed
ctly.

hestone Crushing
nt

big limestone crushing
nt, set up by Engineering
jects (India) Limited, has
n commissioned at Bokajan,
am. The plant, with a
shing capacity of 200 tonnes
hour, is the first plant of
s size in the north-eastern
ion. It can crush limes-
e of varying sizes ranging
m 750 mm to less than 25
n. It has been erected and
nmissioned for the cement
tory of the Cement Corpo-
ion of India at Bokajan by
I, which is a public sector
ntracting company under
ministry of Industry and
vil Supplies. This plant is
e of the most sophisticated
ıshing plants in India. All
mechanical equipment is
ctrically inter-locked and is
erated from a centralised
ntrol room. EPI has suc-
ssfully executed six such
ojects, including two out-
le India. It has in hand 42
ojects of the total value of
s 160.0 crores. Out of these
projects, as many as 12 are
foreign countries and are
lued at about Rs 40.0
ores.

ural Electrification

The Rural Electrification
orporation (REC) had ap-
oved 340 rural electrifica-
on projects for a total loan
sistance of Rs. 136.88 crores.
hese included 117 projects
volving a loan assistance
Rs 64.99 crores under the
linimum Needs Programme.
esides, the Corporation had
so approved 2 pre-construc-
on loans amounting to
s 200,000 for two new rural
ectric cooperatives and a
ıpplementary loan of Rs 38
khs for one of the rural
ectric cooperatives projects
pproved in 1970-71. In ad-
tion, a loan of Rs 1.15
ores had been given to three
ate governments from out
Special Development Re-
rve for subscribing to the
ıare capital of rural electric cooperatives. Thus, the total loan assistance given by the REC during 1974-75 amounted to Rs 138.43 crores.

The Corporation earned the profit of over Rs 3.03 crores as compared to over Rs 2.54 crores in 1973-74. It paid a dividend of Rs 50 lakhs on to the central revenue as all the shares of the Corporation are held by the central government. Of the 340 new projects approved during the year under review 312 were area projects while the remaining 28 were special projects for Transmission and System Improvement. The area projects envisaged energisation of 128,574 agricultural pumpsets and extension of electricity to 18,859 small industries 529,179 domestic and commercial connections and 819,28 street lights in 279,19 villages.

Khadi and Village Industries Commission

The government has reconstituted the Khadi and Village Industries Commission. The new chairman of the Commission is Mr A.M. Thomas and the new members of the Commission are: Mr Balmiki Chaudhary, Mr Jagpat Dubey and Mr Narendra Dubey. The earlier Commission had only two members besides the chairman.

Railway Track Modernisation

Indian Railways have launched an ambitious programme to use prestressed concrete sleepers to modernise their Permanent Way to to suit the heavier traffic density and higher speeds on their main trunk routes and reduce maintenance costs. Long and continuous welded rails are being laid over concrete sleepers fitted with elastic fastenings. This would considerably improve the riding comfort to the travelling public and reduce the operational and maintenance costs by elimination of noisy rail joints.

The work of laying concrete sleepers is going on in the Ballabhgarh-Rundi Section of the Central Railway, and Kanpur-Allahabad Section of the Northern Railway on the New Delhi-Hawrah Rajadhani route. It has been found that the heavy concrete sleepers are ideally suited for laying of continuous welded track and high speeds on account of their greater suitability in track. These sleepers have economic advantages also on account of their long service life of 40 to 50 years and easy maintainability.

Low-priced Television Set

The small-scale industry has brought out a Janta type of television set with reduced price without affecting quality and performance. This set is priced at Rs 1,800 and is of 51 cm size. This price is inclusive of excise and central sales tax but exclusive of local taxes. At this price it will be cheaper by 35 per cent as compared to other sets of the same size. The inauguration of this set was performed recently by Mr A.P. Sharma, minister of State in the ministry of Industry and Civil Supplies, at the premises of factory in the Okhla Industrial Estate, New Delhi. This Janta type television set has been marketed in keeping with the prime minister's recent exhortation to the TV industry to go in for the manufacture of low-priced television sets. The production of these sets would be of the order of 2,000 per month in the beginning. The production will be increased as the demand mounts up.

FCI Nitrogen Production

The Fertilizer Corporation of India (FCI) has exceeded production target for the year 1975-76 which has just concluded by producing more than 365,000 tonnes of Nitrogen of which fertilizer Nitrogen was in excess of 340,000 tonnes This represents nearly 23 per cent of the total all-India production during the year. FCI's five operating units together at Nangal, Sindri, Trombay, Namrup and Gorakhpur where the expansion project went on stream only in January this year, made a capacity utilisation of 88 per cent.

The Namrup Unit exceeded the rated capacity and its actual production was in excess of 100 per cent whereas the producduction at Trombay and Nangal Units was 97 per cent and 98 per cent of their respective rated capacities The target at Durgapur was deliberately kept at a low figure to allow identified deficiencies, and in actual practice this target was also exceeded. The capacity utilisation at Gorakhpur Unit was limited to 72 per cent due to constant power interruptions and power cuts during the year.

Import Substitution in Defence Stores

The Department of Defence Supplies has welcomed the proposal made by Association of Indian Engineering Industry (AIEI) to set up joint working groups of experts for periodical review of lists of Defence stores items at present being imported. These working groups consisting of representatives of AIEI and the concerned technical committees would review from time to time items requiring indigenisation.

The Department of Defence Supplies has also welcomed AIEI's proposal for institution of an indegenisation award for firms undertaking significant indigenisation effort in Defence Stores. Such recognisation would not only give a boost to the indigenisation effort but also render appreciation of Industry's contribution to Defence efforts. These are some of the principal conclusions of the AIEI Workshop on Defence Supplies recently organi-ced by AIEI with the active participation of the Department of Defence Supplies.

Coir Exports

The European Economic community has agreed to cut tariffs in three months and to grant duty-free entry for this country from January 1, 1978. The July 1 reduction would bring tariffs down to 20 per cent of what they were only a few years ago so that the new rate on mats and matting, for example, would be 4.6 per cent instead of 9.2 percent. This represents a substantial concession by the EEC which wanted to phase out the remaining tariffs in four stages, between now and January 1, 1978. Whether the community will equally accommodating on jute should be established later when negotiations for a new agreement are taken up.

Support Price for Jute

The Agricultural Prices Commission has recommended a uniform minimum support price of Rs 140 a quintal for raw jute for 1976-77 season, it is reported. This is Rs 5 more than the existing minimum price for the current season. The APC has forwarded its recommendation to the ministry of Agriculture. Inter-ministerial consultations between the Agriculture and Commerce ministry are on and a decision will soon be taken. An early announcement is expected in order to influence sowings. The commission in recommending the small increase, has expressed serious concern over the fall in acreage in jute for the last two successive years. It has placed the final estimate of raw jute for the current season at 4.46 million bales.

Rupee Upvalued

The Reserve Bank of India announced on April 3, an upward revision in the exchange value of the rupee in relation to pound sterling by 2.0 per cent with immediate effect. The revision is a sequal to the renewed weakness of the British currency in the international currency markets. On the London Foreign Exchange Market the pound sterling lost four and half cents against the US dollar during the last few days. The new buying and selling rates of the pound have been fixed as to yield a middle rate of Rs 16.90 per pound as against the existing rate of Rs 17.25. The new rates for spot delivery are: Buying £5.9347 per Rs 100 (corresponding to Rs 16.85 per £); Selling: £5.8997 per Rs 100 (corresponding to Rs 16.95 per £). This is the third time within a month that rupee had to be upvalued.

Income tax settlement Panel

The government of India has constituted a high-powered income tax settlement commission with Mr C.C. Ganapathy as chairman. The commission, which will have two part-time members, will provide the machinery to which any assessee could go for compromise and settlement at any stage of the proceedings. order of settlement pass the commission, shall b clusive and cannot be rec in any proceedings und income-tax or any othe in force. The appointm the commission follow acceptance by governme the recommendation o Direct Taxes (Wanchoo quiry Committee, whicl said that the door for promise for an erring payer should not be close ever and that there s be room for compromise settlement.

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OMPANY AFFAIRS

dian Rayon

MOVE is afoot to merge Jaya ree Textiles and Industries h the Indian Rayon Corration. The proposal, ich is subject to the sancn of the government and High Courts of Calcutta d Ahmedabad, will take ect from January 1, 1976, approved by the shareIders. The scheme provides the issue of one hundredpee equity share of Indian ayon for every ten, ten-rupee uity shares of Jaya Shree xtiles. The holders of 9.3 r cent and 9.5 per cent deemable cumulative prerence shares of Jaya Shree xtiles will receive preference ares of Indian Rayon issued similar terms in the oner-one ratio.

The Boards of the both e companies consider ese ratios as fair. The oposed merger is stated be advantageous to the areholders of both the mpanies. The combined ancial resources will prode adequate funds for workg capital as well as for xpansion and diversification f activities. The amalgamaon will also lead to economy administrative and other xpenses resulting in improved rofitability. Thus it is in e interests of the shareholdrs of both the companies that e scheme should be put rough.

acit Asia

Facit Asia, which manuctures calculators, at preent, plans to undertake e production of Facit 1720 ypewriters in India in collaoration with Facit AB of weden. The company has aleady received an industrial cence for the manufacture of 20,000 typewriters a year and has made considerable progress in the implementation of the project. It expects to start production by the end of 1976. Nearly 25 per cent of its total production will be earmarked for export. The project, which will involve a total capital investment of Rs 2.15 crores, will be financed by foreign exchange loan of Rs 78.16 lakhs, ICICI loan of Rs 40 lakhs and IFCI loan of Rs 38.16 lakhs), term loans of Rs 34 lakhs, bill rediscounting facilities for Rs 18 lakhs, fixed deposits of Rs 5 lakhs and internal resources of Rs 18.53 lakhs. Besides, the company also proposes to make a right issue of Rs 61 lakhs to which the collaborators will subscribe to the tune of Rs 19.2 lakhs. The balance is expected to be taken up by the remaining shareholders on a rights basis. The company has urged the government to extend the last date for subscription to the rights issue to May 31.

Molins of India

The directors of Molins of India Ltd have resumed dividend on equity shares with a payment of 10 per cent for the year ended December 31, 1975. Out of the proposed dividend, six per cent will be paid immediately on July 5, 1976 while another two per cent being the first instalment of the deferred dividend, will also be paid on July 5. The balance of two per cent will be paid together with interest at eight per cent per annum, on July 5, 1977. Although sales went up during the year to Rs 2.47 crores from Rs 2.23 crores, the profit after allowing for depreciation but before providing for taxation, declined to Rs 51.81 lakhs from Rs 68.27 lakhs in 1974. Taxation absorbed Rs 29.25 lakhs as against Rs 46.00 lakhs in the earlier year. After other adjustments, the disposable surplus amounted to Rs 22.88 lakhs as compared to Rs 28.61 lakhs in the preceding year. Out of this, a sum of Rs 12.88 lakhs was transferred to general reserve as against Rs 28.31 lakhs while no allocation has been made for development rebate reserve as against Rs 29,700 provided previously. The proposed dividend will claim Rs 10.00 lakhs.

Usha Martin Black

The directors of Usha Martin Black (Wire Ropes) Ltd at its meeting held on March 29, 1976 proposed to step up the equity dividend to 15 per cent (11.40 per cent 1.80 plus 1.80 per cent deferred dividend) for 1975 from 12 per cent paid for 1974. The turnover has risen to Rs 16.14 crores from Rs 13.90 crores in the previous year, thus registering an increase of more than 20 per cent. The company has earned a gross profit of Rs 136.74 lakhs in 1975 against Rs 120.58 lakhs in the previous year. The allocations are Rs 27.90 lakhs for depreciation, Rs 58.48 lakhs for taxation and Rs 32.20 lakhs for general reserve as against Rs 27.31 lakhs, Rs 41.50 lakhs and Rs 49.70 lakhs provided respectively in 1974. The net profit after taxation has amounted to Rs 50.36 lakhs against Rs 41.90 lakhs in the previous year.

The company's export sales, during the year under review, inspite of stiff competition from the developed countries and worldwide recession, was about Rs 3.29 crores.

The company has been awarded Regional Shield b Engineering Export Promotio Council for its highest expor performance in eastern regio by the large scale units durin the year 1974-75.

Steps are being taken fo implementation of the lette of intent for expansion o company's Ranchi factory tc manufacture 1300 M/T of large diameter of wire ropes per annum.

Balmer Lawrie

Two subsidiary companies of Balmer Lawrie and Co. namely, Steel Containers Ltd and Industrial Containers Ltd are to be amalgamated with Balmer Lawrie and Co. Under the scheme, which will be effective from January 1, 1975. Holders of every three fully-paid ordinary shares of Rs 10 each of Steel Containers and of every six fully-paid ordinary shares of Rs 10 each of Industrial Containers, will be allotted one fully-paid ordinary share of Balmer Lawrie and Co. The allotment of shares of Balmer Lawrie to non-resident shareholders of the two companies which are being amalgamated will be subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973. Fractions, if any, will be consolidated and sold at such price or prices as many be approved by the board of Balmer Lawrie and proceeds distributed amongst the holders of the amalgamating companies in the ratio of their respective entitlements.

Atlas Copco

Sales of Atlas Copco (India) Ltd during 1975 were marginally lower at Rs 103.054 million as against the Rs 103.962 million in the preceding year. The gross profit for the year was, however, appreciably higher at Rs 19.781 million as compared to Rs 17.361 million in 1974. After providing Rs 1.229 million for depreciation, Rs 0.035 million for development rebate reserve and Rs 13.100 million for taxation, he balance worked out to Rs 5.417 million. Profits for he year amounting to Rs 0.409 million was transerred to special reserve and Rs 5.008 million to General Reserve No. 3. The Board of Directors have recommended a higher dividend of 16 per cent as against 12 per cent declared for 1974. The proposed dividend will absorb Rs 1.285 million and will be paid out of the General Reserve No. 3, in accordance with the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974, if declared at the annual general meeting to be held on May 6, 1976.

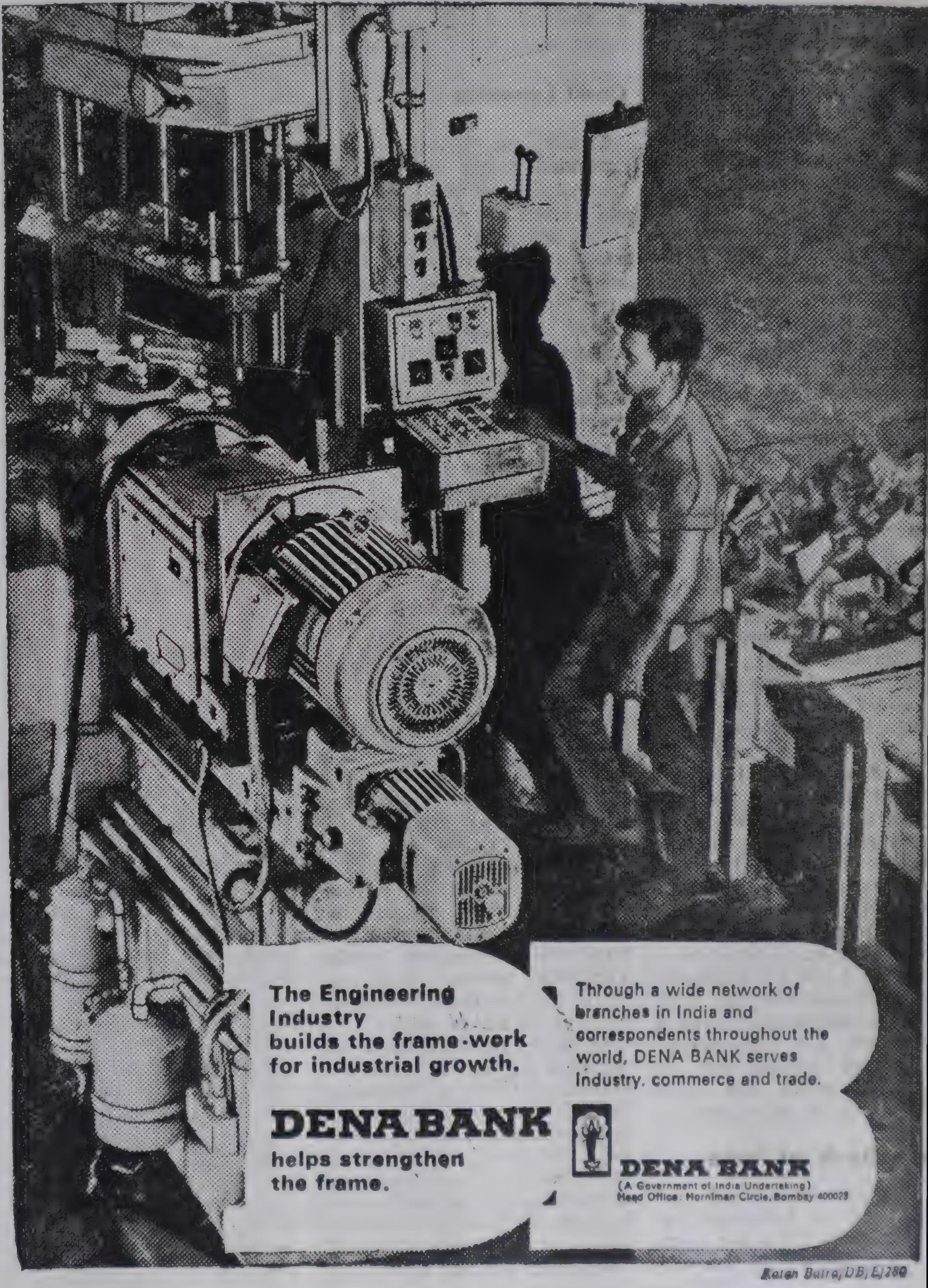
Union Carbide

Union Carbide India Ltd which has extensively diversified its manufacturing activities during the past few years, has now embarked upon further ambitious expansion programmes. The two current major expansion activities of the company are in the fields of MIC based pesticides for agriculture and shrimp fishing for export markets. The EXIM Bank, USA and first National City Bank, USA, have granted a foreign exchange loan totalling US $2.5 million for import of equipment required for the MIC project. The government's approval to the terms of interest and repayment is expected shortly. Meanwhile certain proposals have been made to the governments for compliance with the requirements of Foreign Exchange Regulations Act in regard to dilution of foreign equity in the company, which are at present under the consideration of the government.

The company continued to intensify its activities in the field of research and development. A broad-based research and development programme has been planned, covering many of the company's products and processes. This work will be considerably aided by the completion of the Agricultural Chemicals Research Centre at Bhopal, which was inaugurated on January 20, 1976 and the Electric-Chemical Research Laboratory at Calcutta. Alongside these new research locations, the company plans to further equip the laboratories at several plant locations, and conduct research at Visakhapatnam on a continuous basis to study shrmip life cycle, breeding and migration grounds and shrimp harvesting techniques.

Despite several constraints such as power shortage and difficulties of obtaining adequate funds for working capital, production was maintained at a satisfactory level, ex at the EMD plant, Th Bombay, where for compel reasons, the plant was loc out for over six months.

Sales were a shade hig at Rs 1.07 billion during l as against Rs 1.03 bil in the previus year,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neral weaking of de- l for many products. s were taken to expand strengthen the existing ibution network in order rovide better services to ustomers. Exports during year under review were ificantly higher at Rs 30 ion as compared to 23 million in the previous . Exports of shrimps ng the year were Rs 12.6 ion, recording a substan- increase over last year. A er of Intent has been ived from the government the manufacture of ready- vear garments at Calcutta, olly meant for export.

lo provision has been made tax liability in respect of profits for the year 1975. idence of tax is estimated Rs 6.45 crores which when essed will be paid out of the eral reserve. On this basis, estimated net profit after amounts to Rs 4.9 crores.

The directors have recom- nded a divided of Rs 1.10 share, and it will absorb 2.03 crores and will be paid t of the current year's profits nsferred to general reserve.

mon Engineering

Ramon Engineering Ltd has de satisfactory progress in implementation of its oject for the manufacture mopeds. The prototype veloped by the company has eady been submitted to the hicle Research and Develop- nt Establishment, and has en certified as roadworthy. mmercial production is ex- cted to commence by June 76. During the year ended ptember 30, 1975 the com- ny incurred an expenditure Rs 5.44 lakhs. After pro- ling Rs 3,504 for deprecia- n and transferring Rs 4.85 hs as unallocated capital penditure, the loss during period worked out to 56,298 which has been rried to the balance sheet.

ate Bank of India

Aggregate deposits of the ate Bank of India rose by . 414 crores (15.4 per cent) 1975 compared to Rs 476 crores (21.5 per cent) in the previous year, primarily due to the additional deposits secured from the corporate sector. The deposit growth of the Bank during the five years ended 1975 was 153.8 per cent as against the average of 137.2 per cent of the other scheduled commercial banks. The total deposits (including other accounts) of the Bank at the end of 1975 were of the order of Rs 3,597,81 lakhs.

Credit Expansion

Credit, on the other hand, expanded faster by Rs 571 crores (32.7 per cent) in 1975 as compared to Rs 165 crores (10.4 per cent) in 1974. In percentage terms, the rate of credit expansion of the Bank at 32.7 was considerably higher than 22.5 for all scheduled commercial banks. Food procurement advances of the Bank increased by Rs 199 crores against a decline of Rs 67 crores in 1974, while non-food advances went up by Rs 372 crores in 1975 against Rs 232 crores in the previous year. The advances to the public sector undertakings and priority sectors accounted for a major portion of the rise under non-food advances. The total advances of the bank (including bills) at the end of1975 stood at Rs 2,501,02 lakhs.

The Bank opened 419 offices during the year as against 375 in 1974. Out of these, 334 were located in rural and semi-urban areas, 54 at urban and 31 at metropolitan centres. Also, of the new offices, as many as 99 were located in under-banked districts where the average population served per bank office exceeded 75,000. The total number of offices of the Bank in India stood at 3,814 at the end of 1975.

Of the 67 Lead Districts of the Bank the credit plan for Gorakhpur district prepared in 1973 is under implementation. As regards centres identified for branch expansion under the initial surveys in the districts under the Lead Bank Scheme, the Bank has opened offices at 121 centers out of 154 centres allotted to it in its lead districts and 164 offices out of 200 in districts allotted to other banks. Out of the 75 centres allotted to other banks in our lead districts, they have so far opened offices at 45 centres.

The total direct and indirect finance provided by the Bank for Agriculture, recorded an overall increase of Rs 64 crores and aggregated Rs 241 crores at the end of 1975. Being the lead Bank for Gorakhbur district, in UP., the Bank sponsored the setting up of 'Gorakhpur Kshetriya Gramin Bank' with its head office at Gorakhpur in conformity with the decision to set up Regional Rural Banks in the country. This Bank started functioning in October 1975.

The number of small scale units financed by the Bank increased from 71,668 in 1974 to 87,716 in 1975, and the amount of assistance provided to these units increased from Rs 286 crores in 1974 to Rs 320 crores in 1975.

During the year, export credit provided by the Bank increased by Rs 33 crores to Rs 200 crores compared to the increase of Rs 17 crores in 1974.

Overseas Branches

The off-shore branch at Nassau (Bahamas) which commenced its operations on April 7, 1975 has been providing adequate support to the growing business of the Bank's New York Branch. A branch of the Bank was opened at Dacca on May 5, 1975. A full-fledged branch of the Bank started functioning at Chicago on December 29, 1975. Another branch in London in Golders Green area is expected to be opened in 1976. Arrangements are in hand to set up Representative Offices in Bahrain, Moscow and Manila.

The Merchant Banking Division of the Bank successfully managed 10 issues involving capital of more than Rs 18 crores as against 7 issues for over Rs 3 crores in 1974. The Division is engaged in rendering advisory assistanc to over 40 projects.

The net profit after the usua and necessary provisions ros to Rs 6.53 crores from Rs 4.6 crores in 1974. The dividenc was stepped up steeply to 27 per cent for 1975 as against 12 per cent paid for 1974.

News and Notes

Subject to the approval of the Government of India the Directors of **BASF India Ltd** have proposed to capitalise Rs 17.5 lakhs from general reserves and distribute the amount as 1,75,000 bonus shares of Rs 10/-each to the existing equity shareholders in the proportion of one new equity share for every three existing equity shares. Besides they have recommended payment of divided at the rate of 9.5 per cent on preference shares and 15 per cent on equity shares.

The Board of Directors of **American Express Company** has declared the regular quarterly dividend of $0.20 per common share, payable

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ay 10, 1976, to holders of cord April 9, 1976. This is e 109th consecutive year in hich American Express Com- any has paid dividends to its arehold rs.

Dr Beck & Co. (India) Ltd., edore Tools (India) Pvt. Ltd., lotor Industries Co. Ltd., ELCO Ltd., Bombay Dyeing & Mfg. Co Ltd. and **Dodsal vt. Ltd.** are the winners of he newly instituted Indo-German Chamber Awards for utstanding export performance by an Indo-German enture respectively for out- tanding achievements in ndo-German trade relations.

In 1975, Dr Beck exported 52 per cent of their total turn- ver, and Gedore Tools even 53 per cent. Motor Industries xported goods worth Rs 87.6 million in 1975, out of which automobile parts worth more than Rs 65 million went to Germany. The total export figures of TELCO during the year 1975 are nearly Rs 180 million.

During the years 1974 and 1975, Bombay Dyeing exported textiles worth more than Rs 28 million, and Dodsal goods worth more than Rs 26 million to the Federal Republic of Germany.

The Bhopal Unit of the **Bharat Heavy Electricals Ltd.** has rolled out the 10,000th Type BV 11 kV Switchgear. This marks a landmark in the manufacture of this type of Switchgear which is extensively used in distribution of electricity to the far-flung areas.

BHEL-Bhopal has exported these Switchgear units to a number of countries including Iraq, Bangladesh, Malaysia, Sri Lanka, Yemen, Nepal and Tanzania.

These Switchgear units have recently been also successfully type-tested to international standard (IEC 56) at the KEMA Short Circuit Testing Station, Netherlands.

The National Alliance of Young Entrepreneurs has decided to organise, during the next three months, four National Workshops to develop suitable strategies and to identify constraints in order to mobilise necessary resources for implementation of various entrepreneurial development programmes: 1. national worshop on development of entrepreneurship in rural areas; 2. national workshop on development of Entreprenurship amongst Women; 3. national workshop on development of entrepreneurial Capabilities amongst students.; 4. national workshop on problems of mar ing services for small en preneurs.

The first three worksh will be organised for the time in the country and t would seek to secure a fa

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ersal of entreprenurship to bring within the orbit ndustrial activities more more enterprising young 1 and women.

ew Issues

A new Rs 70-lakh project being set up at Chandagar in 24 Parganas (West ngal) for manufacturing ck-mounted hydraulic cra- s and accessories. The pro- t is being set up by Usha- **las Hydraulic Equipments**, a mpany promoted by Usha lehoist, in technical and ancial collaboration with . Weyhausen of West Ger- any. The licensed capacity 600 cranes per annum. ommercial production is ex- ected to start by the middle the current year.

The cranes to be manufac- ured by the company have a ide range of application for onvenient and speedy hand- ng, loading and unloading of eavy and bulky components, elletised goods and granular aterials. These are also seful for the armed forces for andling a variety of items ncluding armoury, vehicles, anks, and ammunition boxes articularly in hilly areas. The company, therefore, does ot anticipate any difficulty in arketing its products.

The company proposes to ake a public issue of 118,750 quity shares of Rs 10 each nd 5,000 11 per cent, cumu- ative redeemable preference hares of Rs 100 each at par. Besides, the foreign collabora- ors will take up 93,750 equity hares for cash at par.

Capital and Bonus Issues

Consent has been granted o eight companies to raise capital of over Rs 144 million. The details are as follows:

The Ahmedabad Electricity Company Limited, Bombay, a public limited company having a paid up equity capital of Rs 87.478.395 have been granted consent, valid for a period of 12 months, for issue of securities of the value of Rs 117 million, equity of Rs 20 milllon and convertible debentures to be placed privately with the financial institutions for Rs 97 million. The proceeds of the issue are to be utilised for the installation of an additional generating plant at Sabarmati, Ahmedabad.

Garware Filament Corporation Private Limited, Bombay, have been accorded consent, valid for three months to capitalise Rs 600,000 out of its free reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 2 bonus shares for every three equity shares held.

Elecon Engineering Co. Limited, Gujarat, has communicated to government of its proposals to issue capital under Clause (5) of the Capital Issue (Exemption) Order, 1969 for Rs 3.60 million divided into 36,000 equity shares of Rs 100 each to be issued to the existing equity shareholders of the company in the ratio of 1:2, all for cash at par. The proceeds of the issue are to be utilised to reduce the company's term loan/cash credit borrowings from bank.

Rexroth Maneklal Industries Limited, have communicated to government of its proposals to issue capital under Clause (5) of the Capital Issue (Exemption) Order, 1969 for Rs 7.50 million (inclusive of the capital already raised) divided into 750,000 equity shares of Rs 10 each, for cash at par, out of which shares worth Rs 2.5 million will be offered to the public through a prospectus and Rs 2.625 million will be issued to the German collaborations, to provide a part of finance required for setting up a plant for manufacture of hydraulic equipment and systems.

Mackinnon Mackenzie and Co. Pvt. Ltd., Bombay, have been accorded consent, valid for 12 months, for the issue of equity shares of Rs 15 million to be issued to Indians. The proceeds of the issue will be utilised to part-finance the purchase of ships to be acquired by the company during the year 1976 and 1977. The company will convert itself into a public company before making the above issue.

The Rajendra Coffees Limited, have been accorded consent, valid for three months to capitalise Rs 200,000 out of its general reserve and issue fully paid equity shares of Rs 5 each as bonus shares in the ratio of one bonus share for every one equity share held.

Cardboard Printing and Pr cessing Industries Limite Calcutta, a public limited cor pany having a paip up equi capital of Rs 150,000, ha been granted consent, val for 12 months, for issue equity shares worth Rs 150,00 as rights shares. The pr ceeds of the issue are to b utilised to meet the workin capital requirements of th company.

The Mahila Udyog Limited Pune, have been accorded cor sent, valid for 3 months, t capitalise Rs 88,000 out of it general reserve and issue full paid equity shares of Rs 10 each as bonus shares in th ratio of one bonus share fo every equity share held.

Dividend

(Per cent

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Atlas Copco (India)	Dec. 31, 1975	16.0	12.0
Orissa Cement	Dec. 31, 1975	20.0	10.0
Woolcombers	Dec. 31, 1975	8.0	2.0
Phillips Carbon	Nov. 30, 1975	16.0	12.0
Mahendra Electricals	Dec. 31, 1975	12.0	6.0
Same Dividend			
Associated Bearing Co	Dec. 31, 1975	20.0	20.0
Triveni Engineering	Oct. 31, 1975	12.0	12.0
Deepak Nitrite	Oct. 31, 1975	12.0	12.0
Reduced Dividend			
United Motors (India)	Dec. 31, 1975	9.25	10.0
Anil Starch	Dec. 31, 1975	12.0	15.0
Upper Doab Sugar	Sept. 30, 1975	Nil	12.0

RECORDS AND STATISTICS

World Bank atlas, population, prosperity, poverty trends

SIXTY-ONE per cent of the world's population in 1973 lived in countries where yearly income was below $500, and 30 per cent lived where it was less than $200, according to the World Bank's 1975 Atlas.

By contrast, about eight per cent of the population lived in the richest nations, where per capita annual income was $5,000, and above. Seventeen per cent lived in countries with incomes from $2,000-$5,000, and 14 per cent in countries with incomes from $500-$2,000, according to the World Bank 1975 atlas.

Wide Disparities

The Atlas also appeared to show that while income has increased in industrial and oil-exporting nations, it has remained virtually unchanged in the poorest countries. It listed six major nations where per capita income was above $5,000 in 1973 compared with just one — the United States —in 1971. On the other hand there were 38 countries with populations of more than one million that had per capita income below $200 the same as in 1971.

The Bank's Atlas contains the latest information on population and income growth, as reflected in individual nations' gross national products. The atlas was released recently, though some of the data were made available late last year.

The Bank claimed "an element of error" in its figures because of rapid price changes, incomplete and unreliable data, and the need to convert all currencies into one, the US dollar, for purposes of comparison. No attempt was made to offset the impact of inflation on income. But the Bank says its statistics provide "very rough guides to the absolute state of poverty in the developing world" and approximate measures of average economic conditions and trends.

The Very Rich

The very rich in 1973—those with per capita income exceeding $5 000 — and with populations in excess of one million were the United States, $6,200; Switzerland, $6,100; Sweden; $5,910; Canada, $5,450;West Germany, $5,320 and Denmark, $5,210.

Some smaller countries also were counted among the very rich including three oil-ex porters, Kuwait, $12,500; the United Arab Emirates, $11,630; and Qatar, $,6040. Also in in the wealthy group was Iceland, $5,030.

The poorest nations, all with incomes of $200 or below, were Mauritania, Togo, Kenya, Sierra Leone, the Central African Republic, South Vietnam, Malagasy Republic, Uganda, Zaire, Sudan, Tanzania, Indonesia and Haiti.

Also, India, Sri Lanka, Pakistan, Benin, Malawi, the two Yemens, Guinea Niger, North Vietnam, Lesotho, Nepal, Ethiopia, Afghanistan, Somalia, Chad, Bangladesh, Burma, Burundi, Cambodia, Ruanda, Upper Volta, Mali; and the two poorest, both with per capita income of $60, Bhutan and Laos.

Three of the world's five most populous nations had incomes below $500 — the largest, Communist China, $270, India $120, and Indonesia $130. The other two are the Soviet Union $2030, and the United States.

Growth of Population

Besides being the two wealthiest of the most populous, the United States and the Soviet Union also had the lowest population growth rates during the eight-year period ended in 1973 — one per cent a year. China's growth rate was 1.7 per cent, India's 2.3 per cent, and Indonesia's 2 per cent.

The fastest growing economies during the period were Saudi Arabia 10.1 per cent a year, Japan 9.1 per cent, Singapore 9.4 per cent, South Korea 8.7 per cent, Nigeria 8.3 per cent, and Portugal 8 per cent.

The tenth edition of the World Bank atlas contains estimates of population, gross national product (GNP) and per capita product of most countries for the year 1973. Growth rates for population and per capita product are shown for the periods 1960-73 and 1965-1973.

The major changes which have occurred in the world economy during the last few years have had a significant impact on the relative position of countries in term of their per capita income expressed in a common currency. In particular, changes in the relative prices of goods and services traded between countries and adjustments of exchange rates in 1972 and subsequent years have been pervasive. Application of the method used in the several earlier editions Atlas, which were bas average relative prices a change rates for the 1965-71, would not reflec changes. Further, the pre tion of estimates for 1 the most recent year lim usefulness of the Atlas i of the developments have taken place since year.

To overcome these 1 tions, two changes have made, one in the Atlas m of calculating per capita duct estimates, the oth their presentation. First base period for relative and exchange rates has shifted from 1965-71 to 19 to reflect the changes have occurred in recent but without abandoning use of a multiyear base p to soften the impect of changes in any single year.

Current Prices

Second, the presenta now includes current estimates of per capita pro for each of the years 1972, 1 and (provisionally) 1974, the Bank's member co ries with a population one million or more. T estimates have the 197 average relative price and change rate as their b Thus the year-to-year d erences for each country re only two factors: real per ca growth in each country, the rate of inflation in United States (as all estim are in current US dollars

The effects of changes relative prices, such as the crease in petroleum prices si late 1973, are only parti reflected in these estim based on 1972-74 average r tionships. For most countr improvements in the estim as a result of using the mu year 1972-74 base period ca expected to exceed the advantages of not using a recent (e.g., 1974) base peri This is not the case, howe for the petroleum export countries, because of the la relative price changes in t favour in 1974. To illustr oint, a table is included technical note showing data for the petroleum ting countries for 1974 at year's relative prices xchange rates as well as he 1972-74 base period.

ers are cautioned to recog- the necessarily preliminary re of the 1974 data. Fur- nore, many of the figures he 1972-74 series are deri- from incomplete or unreliable basic data, and their conversion into US dollars introduces an additional element of error. In any case, the data provide only an approximate measure of average economic conditions and trends. They are very rough guides to the absolute state of poverty in the developing world and reveal nothing about its distribution within each country.

The main tables, in the atlas are reproduced below :

opulation (mid-1973) and Average Annual Growth rates 1960—73 and 1965—73)

(*Countries with populations of one million or more*)

ountry	Number (000)	Growth rate (per cent)	
		1960–73	1965–73
ina, People's Rep. of	811,350	1.7	1 7
lia	581,911	2.3	2.3
SR	249,750	1.1	1.0
ited States	210,400	1.2	1.0
donesia	124,415	2.0	2.1
pan	108,350	1.1	1.2
azil	101,051	2.9	2.9
ngladesh	74,000	2.6	2.4
igeria	71,262	2.5	2.5
kistan	66,230	2.9	2.9
ermany, Fed. Rep. of	61,970	0.9	0.6
exico	56,047	3.5	3.5
nited Kingdom	56,000	0.5	0.4
aly	54,890	0.7	0.7
ance	52,160	1.0	0.8
ilippines	40,219	3.0	2.0
ailand	39,400	3.1	3.0
rkey	37,930	2.5	2.4
gypt, Arab Rep. of	35,619	2.5	2.5
ain	34,740	1.1	1.1
land	33,360	0.9	0.8
orea, Rep. of	32,905	2.2	1.9
an	32,136	3.2	3.2
rma	29,509	2.2	2.2
hiopia	26,550	2.2	2.4
rgentina	24,282	1.5	1.5
uth Africa[1]	24,265	3.1	3.2
ire	23,438	2.7	2.7
iet-Nam, Dem. Rep. of	23,220	2.8	2.5
olombia	22,500	2.9	2.8
anada	22,130	1.7	1.4
ugoslavia	20,956	1.0	0.9
omania	20,830	1.0	1.2
uth Viet-Nam	19,870	2.6	2.6
dan	17,051	2.8	2.8

—*Contd.*

Country	Number (000)	Growth rate (per ce	
		1960-73	1965-7
German Dem. Rep.	16,980	—0.1	0.0
Afghanistan	16,634	2.2	2.2
Morocco	15,903	2.4	2.4
China, Rep. of	15,424	3.0	2.8
Korea, Dem. Rep. of	15,040	2.8	2.8
Czechoslovakia	14,572	0.5	0.3
Algeria	14,700	3.2	3.4
Peru	14,531	2.9	2.9
Tanzania[2]	13,974	2.9	2.8
Netherlands	13,430	1.2	1.1
Sri Lanka	13,180	2.3	2.1
Australia	13,130	1.9	1.9
Kenya	12,480	3.2	3.3
Nepal	12,020	1.9	2.1
Malaysia	11,302	2.6	2.5
Venezuela	11,279	3.4	3.3
Uganda	10,829	2.8	3.0
Hungary	10,430	0.3	0.3
Iraq	10,410	3.2	3.3
Chile	10,230	2.2	2.0
Belgium	9,760	0.5	0.3
Ghana	9,313	2.6	2.6
Portugal	8,994	0.0	–0.1
Greece	8,930	0.5	0.5
Cuba	8,920	2.0	1.8
Bulgaria	8,622	0.7	0.6
Malagasy Rep.	8,301	2.7	2.8
Mozambique	8,283	2.0	2.1
Sweden	8,140	0.7	0.7
Saudi Arabia	7,745	1.7	1.7
Cambodia	7,566	2.5	2.6
Austria	7,530	0.5	0.5
Syrian Arab Rep.	6,948	3.3	3.3
Ecuador	6,786	3.4	3.5
Switzerland	6,430	1.3	1.2
Yemen Arab Rep.	6,217	2.4	2.4
Cameroon	6,206	2.0	2.0
Rhodesia	5,900	3.3	3.5
Ivory Coast	5,887	3.8	4.0
Angola	5,717	1.3	1.3
Upper Volta	5,714	2.1	2.1
Tunisia	5,459	2.1	2.1
Mali	5,370	2.1	2.0
Bolivia	5,331	2.6	2.6
Guinea	5,243	2.8	2.8
Guatemala	5,175	2.4	2.1
Denmark	5,020	0.7	0.7
Malawi	4,833	2.6	2.6
Finland	4,660	0.3	0.2
Zambia	4,646	2.9	2.9
Haiti	4,454	1.7	1.6
Dominican Rep.	4,432	2.9	2.9
Niger	4,357	2.7	2.7

—*Contd.*

Country	Number	Growth rate (per cent)	
		1960-73	1965-73
Hong Kong	4,160	2.3	1.9
Senegal	4,070	2.1	2.2
Rwanda	3,980	3.4	3.0
Norway	3,960	0.8	0.8
Chad	3,873	1.8	2.C
El Salvador	3,771	3.5	3.4
Burundi	3,580	2.0	2.0
Israel	3,210	3.1	2.8
Laos	3,180	2.4	2.4
Somalia	3,042	2.4	2.5
Ireland	3,030	0.5	0.7
Uruguay	2,995	1.3	1.2
Lebanon	2,977	2.6	2.7
New Zealand	2,960	1.6	1.4
Puerto Rico	2,950	1.6	1.6
Benin, People's Rep. of	2,947	2.7	2.7
Sierra Leone	2,787	2.2	2.2
Honduras	2,781	3.2	3.0
Papua—New Guinea	2,596	2.4	2.5
Jordan	2,540	3.3	3.4
Paraguay	2,416	2.6	2.6
Albania	2,295	2.8	2.7
Singapore	2,185	2.1	1.8
Libyan Arab Rep.	2,160	3.7	3.7
Togo	2,119	2.7	2.7
Nicaragua	1,973	2.6	2.5
Jamaica	1,967	1.6	1.4
Costa Rica	1,872	3.1	2.9
Central African Rep.	1,710	2.2	2.2
Panama	1,570	3.1	3.1
Yemen, People's Dem. Rep. of	1,560	3.1	2.9
Liberia	1,452	3.3	3.3
Mongolia	1,357	2.7	2.8
Mauritania	1,257	2.1	2.5
Congo, People's Rep. of	1,199	2.7	2.8
Lesotho	1,165	2.2	2.2
Bhutan	1.124	2.3	2.3
Trinidad and Tobago	1,059	1.7	0.9

---

1. Includes data for Namibia 2. Mainland Tanzania.

Per Capita Gross National Product at Market Prices—Amount (1973) and Average Annual Growth Rates (1960-73 and 1965-73)

(*Countries with populations of one million or more, GNP per capita rounded to nearest US$10*)

Country	GNP per capita		
	Amount (US$)	Growth rate (per cent)	
		1960-73	1965-73
United States	6,200	3.1	2.5
Switzerland	6,100	3.0	3.0
Sweden	5,910	3.0	2.4
Canada	5,450	3.7	3.5
Germany, Fed. Rep. of	5,320	3.7	4.0

—*Contd.*

Country	GNP per capita		
	Amount (US$)	Growth rate (pe	
		1960-73	19
Denmark	5,210	3.9	3
Norway	4,660	4.0	3
Belgium	4,560	4.3	4
France	4,540	4.7	5
Australia	4,350	3.1	3
Netherlands	4,330	4.1	4
New Zealand	3,680	2.2	2
Japan	3,630	9.4	9
Finland	3,600	4.5	5
Libyan Arab Rep.[1]	3,530	10.5	5
Austria	3,510	4.4	5
United Kingdom	3,060	2.4	2
Israel	3,010	5.6	6
German Dem. Rep.[2]	3,000	3.2	2
Czechoslovakia[2]	2,870	2.4	2
Italy	2,450	4.3	4.
Puerto Rico	2,180	5.7	5.
Ireland	2,150	3.6	3.
Poland[2]	2,090	3.9	4.
USSR[2]	2,030	3.6	3.
Greece	1,870	7.3	7.
Hungary[2]	1,850	3.2	2.
Singapore	1,830	7.1	9.
Spain	1,710	5.8	5.
Argentina	1,640	2.7	2.
Venezuela	1,630	2.0	1.
Saudi Arabia	1,610	8.7	10.
Bulgaria[2]	1,590	4.7	3.
Hong kong	1,430	7.0	5.
Portugal	1,410	7.4	8.
Trinidad and Tobago	1,310	2.1	2.
South Africa[3]	1,050	2.7	2.
Yugoslavia	1,010	4.3	4.
Jamaica	990	3.6	4.8
Uruguay	950	—0.2	0.
Lebanon	940	3.0	3.5
Panama	920	4.4	4.3
Mexico	890	3.3	2.8
Iran	870	6.4	7.4
Iraq	850	2.9	2.9
Brazil	760	3.6	6.0
Chile	720	1.7	1.4
Costa Rica	710	2.7	3.5
China, Rep. of	660	6.9	7.3
Peru	620	2.1	1.8
Turkey	600	3.9	4.4
Malaysia	570	3.9	3.7
Algeria	570	1.7	4.3
Mongolia[2]	550	0.6	1.6
Cuba[2]	540	—1.0	—0.7
Nicaragua	540	3.3	1.6
Dominican Rep.	520	2.7	5·1
Guatemala	500	3.3	3.8
Angola	490	3.8	3.2
Albania[2]	460	4.4	5.1

—*Contd*

y	GNP per capita		
	Amount (US$)	Growth rate (per cent	
		1960–73	1965–73
[4]	460	3.4	4.9
bia	440	2.4	3.1
ı	430	1.7	—0.2
sia	430	1.7	3.5
ıay	410	1.9	2.2
—New Guinea	410	4.6	5.0
, Arab Rep.	400	3.8	3.6
, Rep. of	400	7.1	8.7
Coast	380	3.1	3.0
or	380	1.9	2.8
mbique[2]	380	3.3	4.1
vador	350	1.9	0.8
n	340	1.3	—2.6
ı, Dem. Rep. of[2]	340	4.6	2.7
), People's Rep. of	340	1.7	1.9
occo	320	1.6	2.5
luras	320	1.3	1.1
ria	310	2.2	4.7
na	300	0.0	0.8
gal	280	—1.8	—2.8
ppines	280	2.3	2.6
a, People's Rep. of[2]	270	3.8	4.6
land	270	4.8	4.5
pt, Arab Rep. of	250	1.5	0.8
neroon	250	3.2	4.9
via	230	2.5	2.2
eria	210	3.6	8.3
uritania	200	4.1	1.2
go	180	4.4	2.5
nya	170	3.1	3.3
rra Leone[5]	160	1.6	1.5
tral African Rep.	160	0.4	1.0
th Viet-Nam	160	0.6	—0.7
lagasy Rep.	150	0.3	0.9
anda	150	2.1	1.2
re	140	2.6	2.9
lan[2]	130	—0.9	—0.6
nzania[6]	130	2.8	2.6
onesia	130	2.4	4.5
iti	130	—0.3	0.7
ia	120	1.3	1.5
Lanka	120	2.0	2.0
kistan	120	3.4	2.5
nin, People's Rep. of[2]	110	1.0	1.5
lawi	110	3.5	3.7
men, People's Dem. Rep. of[2]	110	n.a.	n.a.
t-Nam, Dem. Rep. of[2]	110	0.3	—0.5
inea	110	0.1	0.1
ger	100	—1.9	—4.6
men Arab Rep.[2]	100	n.a.	n.a.
sotho[2]	100	3.8	2.6
pal	90	0.4	—0.1
niopia	90	2.4	1.6
ghanistan	90	0.3	0.9
malia[2]	80	—0.2	1.6
ad	80	—2.1	—3.3
ngladesh	80	—0.2	—1.6

—*Contd.*

Country	GNP per capita		
	Amount (US$)	Growth rate (per cent)	
		1960–73	1965–73
Burma	80	0.7	0.7
Burundi[2]	80	1.3	1.4
Cambodia[2]	70	—1.8	—5.2
Rwanda[2]	70	0.3	3.2
Upper Volta	70	—0.4	—1.1
Mali	70	1.0	0.5
Bhutan	60	—0.3	—0.2
Laos[2]	60	1.9	2.5

[1] GNP per capita growth rate relates to 1962-73.
[2] Estimates of GNP per capita and its growth rate are tentative
[3] Includes data for Namibia
[4] GNP per capita growth rate relates to 1961-73
[5] GNP per capita growth rate relates to 1964-73.
[6] Mainland Tanzania.

Population (mid-1973), GNP at Market Prices, and GNP Per Capita (1973)—by Income Group

Income groups	No. of countries	Population (millions)	GNP (US $000 millions)	Average GNP per capita (US $)
Less than $200	43	1,151	136	120
$200 to $499	52	1,184	332	280
$500 to $1,999	53	531	530	1,000
$2000 to $4,999	28	654	1,871	2,860
$5,000 and over	12	316	1,886	5,970

Note : Due to rounding, the amounts in this table do not necessarily equal the aggregate of the figures appearing in the tables for the various continents. For geographical location of countries listed, see tables and maps of continents.

Countries with per capita income of :—

Less than $200 : Afghanistan, Bangladesh, Benin (People's Rep. of) Bhutan, Burma, Burundi, Cambodia, Central African Rep., Chad, Comoro Islands, Ethiopia, Gambia (The), Guinea, Haiti, India, Indonesia, Kenya, Laos, Lesotho, Malagasy Rep., Malawi, Maldive Islands, Mali, Nepal Niger, Pakistan, Portguese Timor, Rwanda, Sierra Leone, Sikkim, Somalia, South Viet-Nam, Sri Lanka, Sudan Tanzania, Togo, Uganda, Upper Volta, Viet-Nam (Dem. Rep. of), Yemen Arab Rep., Yemen (People's Dem. Rep. of), Zaire.

$200 *to* $499 : Albania, Angola, Antigua, Bolivia, Botswana, British Solomon Islands, Cameroon, Cape Verde Islands, China (People's Rep. of), Colombia, Congo (People's Rep. of), Dominica, Ecuador, Egypt (Arab Rep. of), El Salvador, Equatorial Guinea, Ghana, Gilbert and Ellice Islands, Grenada, Guinea-Bissau, Guyana, Honduras, Ivory Coast, Jordan, Korea (Dem. Rep. of), Korea (Rep. of), Liberia, Macao, Mauritania, Mauritius, Morocco, Mozambique, New Hebrides, Nigeria, Papua New Guinea, Paraguay, Philippines, Rhodesia, Sao Tome and Principe, Senegal Seychelles Islands, St. Kitts-Nevis Anguilla, St. Lucia, St. Vincent, Swaziland, Syrian Arab Rep., Thailand, Tonga, Trust Ter. of the Pacific Islands, Tunisia, Western Samoa, Zambia.

$500 *to* $1,999 : Algeria, American Samoa, Argentina, Bahrain, Barbados, Belize, Brazil, Brunei, Bulgaria, Ceuta and Melilla, Chile, China Rep. of), Costa Rica, Cuba, Cyprus, Dominican Rep. Fiji, French Guiana, French Ter. of Afars and Issas, Gabon, Gibraltar, Greece, Guadeloupe, Gautemala, Hong Kong, Hungary, Iran, Iraq, Isle of Man, Jamaica, Lebanon, Malaysia, Malta, Martinique, Mexico, Mongolia, Netherlands Antilles,Nicaragua, Oman, Panama, Peru, Portugal, Reunion, Romania, Saudi Arabia, Singapore, South Africa, Spain, Surinam, Trinidad and Tobago, Turkey, Uruguay, Venezuela, Yugoslavia.

$2,000 to $4,999 : Australia, Austria, Bahamas, Belgium, Bermuda Canal Zone, Channel Islands, Czechoslovakia, Faeroe Islands, Finland France, French Polynesia, German Dem. Rep., Greenland, Guam, Ireland Israel, Italy, Japan, Libyan Arab Rep., Luxembourg, Netherlands, New Zealand, Norway, Poland, Puerto Rico, United Kingdom, USSR.

$5,000 *and over* : Canada, Denmark, Germany (Fed. Rep. of)., Iceland Kuwait, New Caledonia, Qatar, United Arab Emirates, United States Sweden, Switzerland, Virgin Islands (U.S.).

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VOL. 66 NO. 16 APRIL 16, 1976

Price Rupees Two

Leading Articles

air Deal for Equities 773
A Case Worth Consideration 774
TV Gains Independent Status 775
nvestment Climate in Eastern India 776
Happiness is to Borrow & Spend 777

Capital's Corridors 780

Point of View

A Look at US Income Distribution
— Carl H. Madden 782
Are We Sweating Our Aged ?
— O.P. Sharma 787

Window on the World

Inside West Germany Today
— Jossleyn Hennessy 794
Increase in World Consumer Prices — IMF Survey 797
Canada : A Business Review
—Bank of Montreal 799

Trade Winds

Non- Residents' Investment; Panel on Banking; Imported Oil for Vanaspati; Indo-Soviet Trade; UNDP Assistance; Jute and its Substitutes; IDPL Output; Automobile Spares Exports; Heavy Engineering Corporation; Ashok Leyland for Ceylon; BHEL; Plovdiv Fair; Copper Production in 1975-76; Hindustan Zinc; Offtake of Rock Phosphate; Crude Carrier; Indian Velvet Abroad; Names in the News. 802-804

Company Affairs

Industrial Cables; Central India Spinning; Gwalior Rayon; Philips India; Ashok Leyland; Gujarat State Fertilisers; German Remedies; Shree Ram Mills; News and Notes; New Issues; Capital and Bonus Issues; Dividends 805-808

Records and Statistics

Central Government Public Enterprises : 1974-75 809

Fair deal for equities

SUCH of us as might have expected share prices to respond cheerfully to the cer budget proposals, and even more to the general improvement in the outlook for economy, have much reason to be disappointed. In the weeks since March 15 trac on the stock exchanges has been conspicuously lacking in constructive confidence. a matter of fact share values have been sliding in the absence of what is know market parlance as "fresh support". Of graver import is the fact that there have b few signs of any generalized investor interest. The result is that share prices l slumped to a point well beyond the mere cancellation of gains scored in pre-bu weeks on the strength of forecasts of a soft budget. If this trend is not arrested time, stock exchanges will lose—surely soon and probably for a long time to com what little credibility they still possess as instruments for promoting personal sav or channelling them into productive capital formation in the corporate sector.

Not that this likelihood may worry economic policy makers unduly. For some t now it has come to be uncritically assumed in quarters that ought to know better the stock exchanges and their works are an expendable frivolity. This is not surpris This, naturally, had not endeared them to the policy-makers. As a result, a state alienation, which is far worse than a state of confrontation, had tended to deve between economic policy-making in the government and the stock exchanges. wonder, then, the nationally important problem of encouraging savings and investm through the healthy functioning of the stock exchanges had not received much co deration in the government.

There is no reason however why this unfortunate state of affairs should contin The government's economic policies or its management of the economy have b changing for the better in many directions and it is therefore reasonable that th should be improvement also in the government's appreciation of the role the st exchanges could and should play in activating the flow of private savings into inv ment in equities. It has been suggested in some quarters that much more needs to done by way of fiscal reliefs and incentives to the corporate sector than has b attempted in the central budget this time, if there is to be any substantial revival generalized investor interest in shares. There may be some truth in this reading but practical terms it would be more useful to consider what could be done now outs the budget, in addition to whatever has been done in the budget. Easily the m rewarding as well as the obviously necessary effort would lie in the direction of li ralizing credit facilities for trading in shares. The restriction of credit for sh transactions has been one of the more bearish of the many pressures operating on stock exchanges and it seems to us that, in the present circumstances, there isn't a inflationary hazard in unfreezing bank credit facilities for investors in shares. Ironica enough, the very reductions in income tax and wealth tax rates in the latest cent budget have diminished the value of the relevant tax exemptions enjoyed by assessees in respect of their investments in equities. It is all the more important t no artificial restrictions should be placed on substantial interest being shown in equit by potential investors.

There is also the question whether attempts should not be made to improve attractiveness of investment in equities in relation to investment in bank deposits deposits with companies. Thanks to the higher rates of interest which an investor able to earn on term deposits with banks or deposits with public limited compani his interest in equities is wearing off. A material corrective to this situation can co only in the form of adequate improvement in the earning of profits and distribution dividends in the corporate sector. Progress in this direction, however, may take s

because, as recent company balance-
ts have indicated, the fall-out of the
act of inflation on costs will continue
lepress profit margins in industries until
ductivity goes up and production also
ands on the strength of rising levels of
nand. Meanwhile there is scope for
nedial action in terms of the govern-
nt assisting in the readjustment of the
ative returns on shares on the one
d and bank deposits and deposits with
npanies on the other.

For instance, there is no sound economic
son why commercial banks should be
owed to entertain term deposits for
riods longer than five years. While a ban
ed not be considered an unduly drastic
p, the least that could be done immedia-
y to discourage bank deposits for periods
yond five years would be to prescribe
at banks should not offer, for deposits
five years or longer, rates of interest
gher than the maximum permissible for deposits for periods within five years. In the case of companies again, deposits should be restricted to a maximum of a two-year period, and the rate of interest to a maximum of 10 per cent for one-year deposits and 11 per cent for two-year deposits. The imposition of such conditions could incidentally have the effect of ensuring that only companies, in the financial soundness and stability of which investors could have reasonable confidence, will be able to attract deposits at the prescribed rates of interest. It cannot be guaranteed, of course, that the suggestions made here would succeed immediately in reconstructing investor psychology, but the fact that the Unit Trust of India has found it necessary to suspend for the time being sales of its Capital Units shows that there is need to act early if some respectable shape and substance is to be restored to the stock exchanges and the capital market.

A case worth consideration

IE LACK of relief in the central budget,
esented by the Finance minister, Mr C.
bramaniam, to Parliament last month,
s left the small-scale manufacturers of
es and tubes disappointed. These manu-
cturers have been passing through a very
itical period right since the excise levy
solvent oil—an essential input for
em—was stepped up in 1974-75 from
425 per kilolitre to Rs 1,925.55, which
ong with the raise in the commercial
ice of this oil in that year from Rs 646
Rs 1,331 a kilolitre, following the hike
the prices of west Asian crude, had
ished up its cost from Rs 1,071 to as
uch as Rs 3,252.55 a kilolitre. On an
erage, half a litre of solvent oil is con-
med by the small producers per bicycle/
ckshaw tyre in the manufacture of which
ey specialise.

Their cost of production, therefore,
as been vitiated a great deal vis-a-vis
at of the large-scale manufacturers
ho obviate the use of solvent oil
the calendering process. The result has
en that many small-scale units have
osed down in the recent past; they could not withstand the competition from the large-scale sector.

In their talks with the union government, these manufacturers had recently offered to go in for the capital-intensive calendering machines for rubberising the tyre cord with a view to eliminating the use of solvent oil, but they required about three years to do so as well as some financial assistance to purchase the calendering machines even on "pool" basis. But, in the meanwhile, they had requested that in the interest of bringing down their costs, solvent oil used for the manufacture of tyres and tubes in the small-scale sector should be exempted from the excise levy.

With a view to meeting the objection that solvent oil was being diverted for adulterating motor spirit, they had suggested adequate safeguards in the form of colouring or giving solvent oil some specific odour (as is being done in the case of methylated spirit) and evolving of a method for making available supplies direct to them. Their legitimate requirements, they had pointed out, could be easily assessed on the basis of average consumption norms. The total loss to the revenue to the government on the basis of their 1973 production—a somewhat normal output year—it was stressed, would not be more than Rs 1.5 crores, but this could assist in reviving the closed units and sustaining those which are still in production. This, in turn, would not only help in augmenting employment opportunities but also in keeping up the supply of bicycle and rickshaw tyres and tubes.

eliminating competition

Fearing that the competition from the large-scale sector would grow to their products if the large-scale units were allowed to expand their capacities on some pretext or the other, they had also stressed the need for continuing to reserve the production of bicycle and rickshaw tyres and tubes for the small-scale sector, which had come up fast during the last seven or eight years. They had further pointed out that the larger units were in a better position to cater for the export market because of their international connections. These units, therefore, could be prevailed upon to export a sizeable portion of their outputs so that the excess supplies in the domestic market could be siphoned off. They had referred in this connection to the role they had played in bringing down the prices of bicycle and rickshaw tyres and tubes through expanding production in their sector with indigenous know-how.

So far as moped, scooter and motorcycle tyres and tubes were concerned—a new activity taken up by several small-scale units—it had been pointed out that the reduction in the excise levy on these tyres and tubes from 40 to 25 per cent with effect from January 18, 1974, though a welcome step, had worked to their detriment as the reduced levy was made uniform for all manufacturers irrespective of their scale of production. Earlier, small-scale manufacturers were provided a concession in this duty. The withdrawal of this concession, they had pointed out, had made the conditions very difficult for the small-scale units, for not only their products had become uncompetitive vis-a-vis those of the large-scale manufacturers but also they suffered the added disadvantage establishing their products in the mar- t in the face of the consumer resistance new products and preference for brand ames.

Some small-scale units, which had ranched into the manufacture of high uality car and truck tubes and flaps,— ithout foreign collaboration, of course— had been pointed out, were encountering ifficulties in marketing their products, which at present was being done in the emote areas of the country, due to the nter-state sales tax. Owing to the limited esources at their disposal, they had stressed that they could not open their own depots in the remote areas and, therefore, had to depend on retail outlets there.

The union government is understood to be thinking in terms of compensating the small manufacturers for the use of solvent oil indirectly through grant of some subsidy for a couple of years till they switch over to the calendering process. But the small manufacturers fear that the evolving of the subsidy scheme would take time. Is it not possible for the Finance minster to sacrifice some revenue from the high excise levy on solvent oil till the subsidy scheme is drawn up? It, indeed, can have a wholesome effect on sustaining the small manufacturers. Their other pleas—concessional excise levy on the moped, scooter and motorcycle tyres and tubes manufactured by them and the grant of exemption to their production of car and truck tubes and flaps from the central sales tax—too dnserve sympathetic consideration.

TV gains independent status

AFTER HANGING on to the apron of the All India Radio for more than a decade, television acquired separate existence as Television — India (Doordarshan) in the beginning of the current month. That the radio and the television were two distinctly separate media requiring different skills was well-known in this country but because television had remained an experiment for a long time and had acquired sizeable audiences only recently, its separation had been delayed. The bifurcation will allow the television authorities to lay down their own priorities in regard to both programming and expenditure.

Special emphasis will have to be put on servicing the rural audiences a majority of whom are illiterate. Keeping in view both the educative and reformative aspects of the various programmes launched recently by the government such as family planning, anti-dowry, the afforestation programme and cleanliness, increasing attention will have to be paid to the visual content of the broadcasts. TV no doubt is more powerful as a medium than the radio and it can be used profitably to convey the message to the people leading ultimately to all-round improvement in standard of living and enrichment of life.

Currently the terrestrial transmitters have been operating from Bombay-Poona, Delhi, Calcutta, Madras, Srinagar, Amritsar and Lucknow. In addition, there are 2400 Satellite Instructional Television Experiment (SITE) TV sets located in the states of Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Orissa and Rajasthan. It is believed that nearly five per cent of the population of this country is already covered by television, even though the total number of television sets in this country is not more than 400,000.

sets sold

In 1971 the total number of television sets sold in the country was no more than 16,000 followed by 33,000 sets in 1972 75,000 sets in 1973, 75,500 in 1974 and 95,000 sets in 1975. There was relative stagnation in the demand for television sets during the last two years for two reasons : (a) the anti-inflationary policy of the government which had hit the demand for relative non-essentials such as TV among the consumer durables; (b) the manufacturers had steadily r the prices of television sets in the of the inflationary spiral from 19 1974. Happily, the government decided to deal with this problem w firm hand. In the budget for the cu year, the Finance minister, M Subramaniam, scaled down the e duty from 20 per cent to 5 per cen valorem in respect of television having tariff value of Rs 1,800. Si taneously Bharat Electronics Ltd, public sector undertaking — reduced price of picture tube by more than 100. The manufacturers were aske market simple functional television with 51 cm screen — the most pop size needed for the average househol for not more than Rs. 2,000. After s initial hesitation, the manufacturers h fallen in line and prices of th television sets have been brought d by as much as Rs 700 a piece. Su this will give a boost to the televis industry in this country which has ha bad time.

SITE programme

Our country has gained valua experience through the SITE program in regard to producing multi-ling programmes to which our rural folks h been exposed for nearly eight mon However, we had only one year's contr with the United States for the use of Application Technology Satellite (ATS and this contract will expire on July 31 year. At the time of writing, th does not seem to be much chance of extension in the contract for a furt period. Consequently the ministry of formation and Broadcasting (I&B) already planning to set up a few m terrestrial centres. This will enable the I ministry to ensure the continuity of programmes to nearly 40 per cent of 2400 SITE villages. In other words, August 1 this year 60 per cent of villages which have enjoyed the educa programmes of SITE television will h to go without them. Our country likely to float its own satellite not be 1980.

Recently, the representatives o number of Commonwealth countries visited the SITE programme and impressed by the progress made by pecially in regard to software. The of penalists had divided itself into groups which visited Jaipur and rabad for studying the reaction of villagers to this unique experiment. leader of the team of experts, Mr Clarke, said at the conclusion of the that he was tremendously impressed what this country had been able to ve through this experiment, What more, our country had also acquired bilities to manufacture a large variety essential components which were ed for the production and transmis- of TV software.

he new terrestrial transmitters are osed to be set up in Jaipur, erabad, Raipur, Gulbarga, Sambalpur Muzaffarpur. While the transmitters ipur and Hyderabad will be powerful ng a range of 80 km all the others be of such strength as to allow viewing of the programme within a us of 40 km only. It is estimated this project will cost the government less than Rs 13-14 crores.

construction of transmitters

he government has already approved ut Rs 14 crores for the construction of smitters at these places though no vision has been made for providing vision sets to the additional villages. terrestrial transmitters will cover) villages including 960 SITE villages. ile the television sets currently being l in SITE villages may be transferred ome of the new villages, there would large number of villages yet to be ipped with television sets. The total of providing one ordinary TV set for munity viewing for each of the aining villages may cost about two es of rupees.

Understandably the government is n in spreading the TV network all over country because of the tremendous act created by this medium of mass munication. However, the cost of ering the whole country is estimated e gigantic. Recently a paper on TV nning for this country presented at a inar in Bangalore indicated that no than Rs 375 crores (including foreign exchange components of Rs 67 crores) will be required to cover 80 per cent of this country's population by television network. There was a view that the new baloon technology which was on trial in Bahamas and South Korea was more suitable than the satellite. With 30 pairs of baloons needed to cover the whole country, the cost is expected to be not more than Rs 220 crores.

There was another view that the terrestrial system was the most suited under the present conditions in our country. Our technicians have complete know-how of this system and it is estimated that 16 programming centres will need to be set up in addition to the seven already functioning in this country. Each centre will need an investment of Rs 4 to 5 crores. Also as many as 177 transmitters will need to be erected, 104 of them along Post and Telegraph (P & T) micro-wave lengths. Each one of them will cost about Rs 1·7 crores. The P & T department also will have to invest about Rs 30 crores in micro-wave equipment.

Investment climate in eastern India

In his presidential address at the annual general meeting of the Calcutta Stock Exchange Association on March 25, 1976, Mr S.C. Chaturvedi referred to the investment climate in the eastern region and stressed the imperative need to improve it. He welcomed the union budget for 1976-77 as being pragmatic and said that it would give "a thrust to the growth and investment in the economy". He observed that the substantial increase in the Plan outlay by as much as 31 per cent in a single year would have a multiplier effect and that it would help to impart dynamism to the economy. He pointed out that the investment allowance of 25 per cent, combined with the qualified withdrawal of the surcharge of five per cent on company income tax, "should go a long way towards attracting greater investment in the corporate sector".

But Mr Chaturvedi's speech did not evince optimism regarding the outlook for the economy of the eastern region and of West Bengal in particular. He said that it was "most disheartening that the confidence of investors in this part of the country is at a very low ebb". He added that the capital market in this region was "so depressed that it has become very difficult, if not impossible, to raise fresh capital by way of new issues". He quoted figures to show that equity investment in industrial companies situated in the eastern region had sharply eroded over the years and that investment had been lost to the extent of not less than Rs 600 crores out of an estimated aggregate investment of Rs 1300 crores. It is not clear to what extent these figures are reliable and to what period they relate. But there is no doubt that the climate for investment in this region is not as good as it should be though it is also not as bad as Mr Chaturvedi seems to suggest.

substantial improvement

West Bengal's economic situation has substantially improved in the last three years. This will be clear from the fact that the state's plan size has been stepped up from Rs 66 crores in 1971-72 to Rs 232 crores in 1976-77, a rise of Rs 166 crores in five years. The availability of power, which was causing great concern until recently, has improved and the supply of important raw materials has also become easier. In 1975-76 West Bengal received 148 letters of intent and licences and of these 67 licences were fully implemented. The larger outlay in the union government's plan for 1976-77 will benefit West Bengal in the form of more orders for its industriss. Nevertheless, the government of India and the state government should take note of the lack of enthusiasm on the part of inves-

rs and adopt appropriate measures to
stil greater confidence in them.

Mr Chaturvedi referred to certain
ctors which had affected business senti-
ent. He said that investors of the
stern region had been given "a raw
eal" by the nationalisation of the coal
dustry since the compensation which
as paid was "very poor, if not nil, in
eal terms." It was not based on the net
orth of equity. He suggested that the
overnment should consider paying fair
ompensation in the event of nationalisa-
ion.

broken hearts

Mr Chaturvedi said that the press
eports about the proposed nationalisa-
ion of Indian Standard Wagon, Burn &
Company and Braithwaite & Co. "have
erved to break the hearts of investors"
because if ailing units were nationalised
after a period of government manage-
ment, the net worth of equity in such companies acquired a negative value. He suggested that whenever ailing industrial units were taken over by the government for management, some device should be adopted to support equity in such companies through open market purchases. Mr Chaturvedi did not explain how this was to be done. The government should examine this proposal although his suggestion that "in no case such companies should be nationalised. once their management has been taken over by the Government" may not be acceptable. It is also important to ensure that the healthy units do not become sick and that the sick ones are not compelled to close.

Mr Chaturvedi said that the lowering of the interest rate would have the positive advantage of stimulating economic growth and investment. "From the stock market point of view", he said, "such a move is welcome as it will help render equity investment attractive and competitive in comparison with alternative investments, and the shifting of funds from equity will be checked". He said that company deposits were estimated to have funnelled a sum of not less than Rs 1200 to Rs 1300 crores. His comments on this trend are interesting. He said, "What is disturbing is that such siphoning off of large sums has begun to be a nightmare to many investors. Reports have started pouring in to show that many companies are defaulting in the payment of both interest and capital on scheduled time. Many depositors apprehend that their moneys are at stake. The depositors' apprehension is not difficult to comprehend considering that company deposits are generally not very secure. Though the Raj Committee submitted its recommendations after investigating the subject threadbare, investors feel that the report is more of an academic document as it has not suggested any worthwile safeguard to secure depositors' moneys. It was unfortunate that the stock exchange was not contacted by the Raj Committee in this connection, though we are better placed to assess the mind and difficulty of the investor".

It is pertinent to ask what suggestions the authorities of the stock exchanges in the country have made, or would like to make, to safeguard the money of those who have invested in various companies which are unable to repay it. If the Raj Committee did not contact the stock exchanges, what prevented the latter from offering suggestions of their own accord? Mr Chaturvedi referred to the education programme launched by the Calcutta
Stock Exchange to enlighten the pu
on subjects of interest to the investm
market. But should not the stock
change authorities also examine in w
ways they can ensure the working of co
panies on healthy lines so that invest
will have greater confidence in them a
conditions will not be created compelli
the government to resort to nationali
tion on grounds of mismanagement.

Mr Chaturvedi also referred to t
"stringent restrictions" imposed
advancing bank funds against t
security of industrial shares. He said th
bank advances against industrial shar
had remained stagnant around Rs 100
so crores over the past few years wh
bank advances in general had increased. F
urged the government to liberalise ba
advances against industrial shares so th
their liquidity would improve. The g
vernment should favourably consider th
suggestion. Mr Chaturvedi also criticis
the recent circular issued by the gover
ment to the stock exchanges to the effe
that all applications for new shares for
total value of Rs 20,000 or more shou
indicate the permanent account number
the tax payer. He said that this directi
would act as "a psychological damper
capital formation". But is this argume
really convincing?

Happiness is to borrow & spen

THE OUTSTANDING feature of the budget estimates of the central government for 1975-76 and 1976-77 is the ease with which additional Plan outlays are proposed to be financed without resorting to heavy deficit financing. In fact, the emergence of a larger overall deficit of Rs. 490 crores in the revised estimates for the current year against the earlier expectation of Rs. 247 crores is mainly due to the need to extend support to the Postal and Telegraph Departments and the Railways for bridging their gaps. There was also a big increase in the subsidy on sales of fertiliser by Rs 173 crores, which was completely unexpected, while the Food Corporation was given assistance to the extent of Rs 130 crores for maintaining buffer stocks and cons-
tructing additional storing space. Als
credit was not taken for borrowing
the extent of Rs 100 crores from th
Reserve Bank out of the immobilise
deposits in respect of additional dearne
allowances and exeeptional increases
emoluments.

In spite of these unexpected increas
in expenditure, it was possible to exter
liberal assistance to the state governmen
for filling their budgetary gaps a
implementing a larger plan. There w
bouyancy in tax and non-tax revenu
and larger capital receipts were ma
possible as a result of increased forei
assistance, higher net borrowing throu
open market loans and the like. T
bouyancy in tax revenues was mainly d

the increase in receipts from customs ty and direct taxes. The revised esti- ates indicate that there was even an provement in excise revenues in spite of cessionary trends in many industries. e financial position of the central vernment was therefore quite sound at e end of 1975-76 notwithstanding eavy over-runs in non-Plan expenditure. ctually, there is scope for neutralising rlier deficit financing or implementing rger Plans with recovery of loans and ster generation of internal resources.

no fresh taxation

In view of the absence of any need r incurring heavy subsidies on sales of rtilisers in 1976-77 and the correction f the budgetary position of the Post and elegraph Departments and the Railways ith their efforts to mobilise additional esources, the centre will be implemen- ng a larger Plan of Rs 4759 crores on s own account against Rs 3,612 crores 1975-76, without resorting to heavy resh taxation. The states too will be ranted liberal assistance apart from a arger share of central tax revenues.

The union Finance minister has, of ourse, taken credit for Rs 480 crores out f blocked deposits with Reserve Bank n respect of additional dearness allo- vances. There will also be larger open arket borrowing of Rs 535 crores gainst Rs 453 crores in the revised esti- nates for the current year (1975-76). The xtra-budgetary resources will be available o the extent of Rs 743 crores against s 596 crores. The government has, pro- ably, thought it desirable to neutralise he impact of the recirculation of blocked eposits of Rs 480 crores by extending he existing scheme for immobilising dditional dearness allowances by another ear. While this move might prevent a big ncrease in money supply the Reserve Bank will be getting additional amount y way of compulsory deposits and the overnment may not find it difficult to ake a similar credit out of these balances or augmenting resources in 1977-78. he continuation of the compulsory eposit scheme concerning income-tax ssessees by another year has also a imilar aim.

The borrowing programme in respect f open market loans has naturally been conceived somewhat ambitiously as greater reliance has been placed on borrowed funds rather than on tax revenues for executing a larger Plan. In the budget estimate for 1975-76 net borrowing was placed at only Rs 325 crores. Subsequently, however, the target was exceeded with the net amount realised being much higher at Rs 453 crores. There was also an unexpected receipt in the shape of investment in non-negotiable bonds under the Voluntary Disclosure Scheme for Rs 40 crores. The gross amount to be borrowed in the new financial year is Rs 810 crores. There is a maturing loan, 4¼% 1976, outstanding to an extent of Rs 260.16 crores and falling due for repayment on July 1, 1976. The smaller 2¾% 1976 loan has to be repaid on September 16, 1976 and the amount involved is only Rs 14.78 crores.

the first tranche

The first tranche of the borrowing programme will necessarily have to be completed in the first week of July as conversion facilities will have to be offered to the holders of 4¼% 1976 loan. The funding operation will not present any difficulty as the institutional investors will have to convert their holdings of the maturing loan into new terminable loans which will be carrying a higher rate of interest. It may not be possible, however, to raise a large net amount even in the first phase as the money market is unlikely to be comfortable until the latter half of the ensuing slack season. It is likely that banks will be required to extend liberal assistance to Food Corporation for financing its procurement operations. There will, however, be need to invest regular amounts out of fresh additions to bank deposits in order to comply with statutory obligations.

The increase in deposits may be in the region of Rs 850 crores in four months and about Rs 250 crores will have to be earmarked for being invested to government and approved securities. It has to be decided how the Reserve Bank will absorb the investible portion of bank deposits through open market sales of terminable loans and take up a sizeable portion of the new loans that may be issued in the first week of July and replenish its portfolio. In any case it wil be possible to raise a gross amount o Rs 500 crores in the first phase and a ne amount of about Rs 240 crores. The balance of Rs 535 crores for fulfilling the target for net borrowing may have to be raised in two instalments as the state loans too fall due on August 24, 1976. With the state governments anxious to increase larger net amount it remains to be seen whether there will be any attempt to stagger their borrowing in two phases. The centre's second tranche can, therefore, be only in October and the third in December.

It will not, however, be difficult to surpass the target for net borrowing even after allowing the state governments and public bodies to raise additionally Rs 100 crores as compared to 1975-76. For, the scheduled commercial banks alone will be increasing their deposits to over Rs 2,000 crores in a full year and at least Rs 650 crores will have to be invested in the government and approved securities.

cheaper borrowing

In view of the observation made by the union Finance minister, Mr C. Subramaniam, at the conference of governors held recently in New Delhi that the inflationary impact of a larger Plan outlay is likely to be more keenly felt if not properly implemented, than an uncovered deficit of Rs 320 crores, it remains to be seen whether there will be any attempt on the part of the central government to borrow on a cheaper basis and beat a retreat from dear money. The government is aware of the 'inflationary character' of high interest rates charged by the commercial banks. But beyond making a feeble attempt to reduce advance rates with fixation of a ceiling of 16.5 per cent, including the levy of the government, downward or upward adjustments along the line below 16.5 per cent or above the minimum of 12.5 per cent have not been contemplated. It will not be surprising, however, if an attempt is made to avoid borrowing for long terms on the existing basis and float loans having maturities in 7 to 15 years. In that event the monetary authorities will have to remain busy throughout the year and maximise net borrowing.

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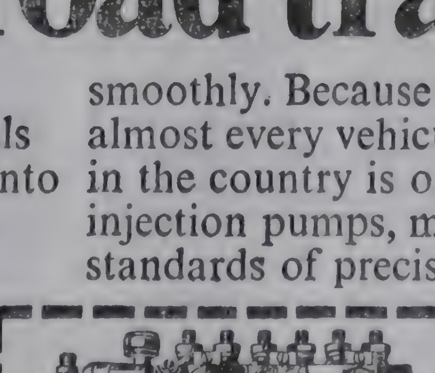

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ER TWO-DAY deliberations here last k, the National Joint Consultative nmittee for the Steel Industry (NJCC) prising representatives of the managets and workers of the main steel plants the executives of the Steel Authority ndia (SAIL), has stressed that nothstanding the accumulation of stocks he recent past, the tempo of producn during the current financial year—6-77—should be kept up. A target producing 6,465 million tonnes salee steel and 1.72 million tonnes pig n for sale has been set. The public tor projects will be required to produce 25 million tonnes saleable steel—887,000 nes more than their production in 75-76. The overall target for this year visages 16.5 per cent increase in the tput of saleable steel and 300,000 nnes increase in that of pig iron comred to the 1975-76 production. The tput of the integrated steel plants is visaged to go up by 13.5 per cent.

encouraging results

The biggest in creases in output are enviged from the Durgapur steelworks and e Burnpur plant of Indian Iron and eel Company. Both these units have own good signs of recovery in the rent months. The saleable steel output at urgapur is proposed to be raised from 51,000 tonnes in 1975-76 to 825,000 nnes, raising the utilisation of capacity 66.6 per cent. IISCO's production s been planned at 540,000 tonnes, as gainst 500,000 tonnes in 1975-76.

The Bhilai, Rourkela and Jamshedpur orks of Tata Iron and Steel Company, e performance of which has been very couraging during the year just gone by, ave been given targets of producing 1.83 illion tonnes, 1.05 million tonnes and 50 million tonnes of saleable steel, respectively.

The target for the alloy steels plants t Durgapur has been set at 42,400 tones saleable steel and that for Visvesvarya on and steel plant, Bhadravati, (formerly known as Mysore Iron and Steel imited) at 108,000 tonnes.

The Bokaro steelworks, whose hot strip mill went into operation in December last, is envisaged to increase its production substantially. The target set for this plant for the current financial year is 720,000 tonnes saleable steel and 775,000 tonnes saleable pig iron. Several new units of this project are expected to be commissioned this year.

good dividends

The process of fixing annual targets in the steel industry in consultation with workers through the large number of joint production committees operating at the shop and plant levels, working upwards to the apex level of the NJCC, was first started by SAIL in 1974-75 after a very low level of production had been registered in 1973-74. The process has paid good dividends and in the very first year of its operation, an improvement of 12.6 per cent was recorded in the production of saleable steel. This was followed by a further rise of 18 per cent in 1975-76. Today, more than 450 committees are said to be functioning at various levels in the steel plants in which over 2,500 workers' representatives and an equal number of management representatives discuss a wide range of subjects connected with production, prodctivity, maintenance, workers' safety and welfare, etc.

Addressing the NJCC meeting, the Secretary to the ministry of Steel and the Chairman of SAIL, Mr Wadud Khan expressed confidence that the off-take of steel would pick up significantly in the next two or three months. There, therefore, was no question of cutting back production. He also indicated that exports during the current financial year might go up to 2.5 million tonnes. This would absorb nearly 30 per cent of the iron and steel products available during the year. To obtain better results financially and materially, Mr Wadud Khan stressed that efforts had to be stepped up towards widening the sales through establishing more stockyards and greater consumer contact. Along with higher production and improvement in quality, greater emphasis, he added, would have to be laid this year on cost reduction and better financial management.

* *

On a recent assessment, the Fertiliser Association of India (FAI) has come to the conclusion that with 1.191 million tonnes of fertilizers in stock on February 1 this year and the domestic production expected to record significant increase, there is no need for signing up any new contracts for imports during 1976-77. The 1.191 million tonnes stock—633,000 tonnes nitrogen, 319,000 tonnes P_2O_5 and 239,000 tonnes K_2O—comprised 499,000 tonnes with the states—303,000 tonnes nitrogen, 117,000 tonnes P_2O_5 and 79,000 tonnes K_2O—and 692,000 tonnes with the pool—330,000 tonnes nitrogen, 202,000 tonnes P_2O_5 and 160,000 tonnes K_2O. The domestic production during the crurent financial year is expected to be of the order of 1.848 million tonnes nitrogen and 363,000 tonnes P_2O_5. There is no worthwhile production of K_2O in the country. Thus, the total availability of fertilizers during 1976-77 is assessed around 3.402 million tonnes—-2.481 million tonnes nitrogen, 682,000 tonnes P_2O_5 and 239,000 tonnes K_2O. The above estimates of the stock do not include the material in the pipeline at the trade level nor any allowance has been made for the likely imports against trade plans or the overflow of stocks against subsisting contracts.

consumption estimates

As against these supply estimates, the consumption estimates of the association are stated to be as follows: 2.4 million tonnes nitrogen, 535,000 tonnes P_2O_5 and 320,000 tonnes K_2O. Allowing for pipeline requirements at the rate of 10 per cent of consumption, the total requirements in the current financial year are assessed around 3.567 million tonnes—2.640 million tonnes nitrogen, 586,000 tonnes P_2O_5 and 341,000 tonnes K_2O. Although the association's estimates of consumption are considerably lower than those of the state governments—2.704 million tonnes nitrogen, 899,000 tonnes P_2O_5 and 462,000 tonnes K_2O, the past experience has shown that they are nearer to the actual trends, the discrepancy being just marginal. The actual consumption of fertilizers during 1975-76, for instance, is estimated to have been around 2.12 million tonnes nitrogen, 490,000 tonnes P_2O_5 and 288,000 tonnes K_2O. The association had estimated this consumption at 2.1 million tonnes nitrogen, 450,000 tonnes P_2O_5 and 270,000 tonnes K_2O while the states had expected it to go up to around 3.105 million tonnes nitrogen, 955,000 tonnes P_2O_5 and 588,000 tonnes K_2O.

It has been found through experience that two elements have been responsible for the estimates of the state governments. The first element has been that they were based on agronomic requirements and these were indicative of the levels of consumption required to raise agricultural output in accordance with the targets. The second element has been that in the periods of shortages, the states had been providing cushion in case there was either spurt in consumption or problems arose in availability.

The current year's estimates of the association are stated to have taken into consideration the situation state by state. Due weightage has been given to abnormal conditions like floods in Bihar, drought in Tamil Nadu, etc., as well as to the fertilizer availability conditions prevailing in some states last year. Due cognizance has also been taken of the efforts made by many states in the last few months to promote the off-take of fertilizers, the extension of irrigation and the area under the cultivation of high-yielding varieties of seeds. The reduction effected in the prices of fertilizers since July last too has been fully taken into account. As all the variables have been taken care of in arriving at the current year's consumption estimates, the association feels that to some extent its consumption estimates may turn out to be quite liberal.

During the financial year just gone by, the off-take of all nutrients is said to have recorded a heartening increase, both during the last rabi and kharif seasons, particularly in the rabi season.

* *

With the production of about 30 varieties of glass, complete self-reliance in the field of optical glass and tank periscope prisms is claimed to have been achieved during the financial year just gone by. According to the annual report of the Council of Scientific and Industrial Research for the year, the production of optical glass based on the known-how developed by the Central Glass and Ceramic Research Institute, Calcutta, (CGCRI) has been taken up on a commercial scale by Bharat Ophthalmic Glass Limited.

The CGCRI has also developed sintered alumina nozzles for welding torches. These nozzles were hitherto being imported. Alumina ceramic inserts for water assembly of Vijayanta tank, engines and alumina thread guides suitable for temperatures upto 1550°C too have been developed recently by this organisation.

The Visvesvarya Iron and Steel Company Ltd., Bhadravati, has started commercial exploitation of the National Metallurgical Laboratory's technology for producing vanadium metal. About five tonnes of vanadium slag are stated to have been produced using 300 tonnes of vanadiferrous ores mined by the Geological Survey of India. Vanadium metal is of strategic importance and is used in the manufacture of a variety of ferro-alloys, high-speed steels, low-steel alloys, tool steels and heavy-duty rails.

* *

Instrumentation Limited, a government of India undertaking, has made entry into the field of pollution control. An agreement was signed by its Chairman, Mr V.N. Kak, and the Managing Director, Brig. D. Swaroop, last month in Geneva with world-renowned West German firm, M/s. Hartmann & Braun for the production of gas and liquid analysers at the Kota unit of the undertaking. The production of these instruments is programmed to be taken up during the current financial year itself. This will save a considerable expenditure in foreign exchange as these instruments are currently imported and their requirements for process control as well as pollution monitoring and control purposes are rapidly increasing.

The undertaking is also planning to modernise its present production range. It has already modernised some of its instruments through in-house R & D efforts. Some proposals have been submitted to the government recently for
collaboration with west European
cerns so that modern complete syste
instrument control may be develope
produced in the country to su
changing requirements. The empha
foreign collaborations is said to
securing of designs only as develop
and production competence already
in the country.

During the year just gone by,
undertaking has attained a record
over of Rs 10.1 crores, including
Rs 100 lakhs earnings in foreign exch
as against the target of Rs 9.5 crores
the 1974-75 turnover of Rs 6.62 cr
Although production costs have gon
and the enterprise has not been abl
enhance its sale prices as it had en
into fixed delivery contracts, the 52
cent increase in turnover and significa
enhanced productivity have enabled
keep up profitability. In 1974-75,
undertaking made a net profit of R
lakhs. The 1975-76 profit is expecte
be slightly higher. The undertaking
set a target of producing goods wort
12.5 crores during the current fina
year, both at its Kota unit and
Palghat unit. The latter went into
duction in December last. It was set
collaboration with M/s. Yamat
Honeywell Company Limited, Japan
the production of control valves.

The undertaking has been execu
turn-key projects for instrumenta
and control systems of thermal p
stations and steel plants both within
country and abroad. It is gearing its
taking up instrumentation and co
systems of such other industries as
lisers, paper, cement and petrochemi

Eastern Economist 30 Years Ago

APRIL 12, 1946

According to Press Reports the Central Government has circularised a letter to all Provincial Governments emphasising the need for immediate construction of the maximum number of houses for industrial workers in India. A construction drive during 1946-47 and 1947-48 is recommended and the Central Government would make grants to any approved housing scheme subject to an over-all maximum of Rs 250 lakhs in each year. According to the Government, the scheme should be such as to give sufficient inducement to Improvement Trusts, Development Boards, local bodies and employers to formulate plans for housing schemes immediately. It is also learnt that the Government has drawn up a long term housing plan and invited the provinces' comments on a ten years scheme with an all-India target of two million houses. In addition,
the opinion of the Provincial Govern
whether there should be minimum standar
industrial housing and whether designs shou
so worked out as to provide for maximum e
my by planned bulk ordering of materials
standardised parts is also invited. It is f
known that in order to advise the Govern
on the scheme and be responsible for mai
ing contact with the provinces the appoin
of a Housing Commissioner is proposed. I
be the additional duty of the Commissione
arranging with the industries and the Supply
artment bulk orders for raw materials and s
of standardised parts. It may be recalled i
connection that a number of measures
financial assistance to stimulate the house b
industry were announced by the Finance M
in his budget speech.

OINT OF VIEW

A look at US income distribution

Carl H. Madden

ECENT generations, the pursuit of
lity has gained value to many of the
d's people. How far back the ideal
is hard to say. Kenneth Boulding[1]
ulates that it might be an offshot of
otheistic religion. Certainly, poly-
tic religions, such as Hinduism, more
y serve the social function of legiti-
ing inequality through caste, Karma,
other devices, since many gods
w many classes of mankind. Much
orical and anthropological research
ld be required to trace the complex
. It should include seeking the ori-
of the fairly modern concept of success
its concommitant notion of failure,
s largely unknown to ancient civiliza-
s strongly influenced by the central
ce of fate in human life.

ursuit of equality lacked realism until
ent generations. Since the advent of
nanoid ancestors in East Africa, per-
s 3.5-to-4.0 million years ago, the
Stone Age that came to its end some
000 years ago constitutes well over 99
cent of our human past.[2] During the
icultural era that began afterwards,
-sufficiency precluded realistic politi-
consideration of equality. Even by
year when Caesar Augustus sent out
word that all the people should be
inted, average yearly per capita in-
ne in current dollar equivalent for the
rld's estimated 250 million people was
more than $200. Indeed, 1776 years
er a world population of perhaps 750
llion people had scarcely made any
ogress in raising per capita income.
e industrial revolution since then has
n everything economic take off
d today, having a population of nearly
r billion (1974), the world produces a
ss output of $980 per person.

historical associations

he egalitarian movement launched by
French and American revolutions has
torical associations with medieval
ions of just prices, just wages, and the
scriptions against usury; and the pur-
t of some form of equality now characterizes nearly all modern secular ideologies. "The United States," as Boulding says, "was ushered onto the stage of history with the trumpet call, 'We hold these truths to be self-evident, that all men are created equal'."

Mr Madden is Chief Economist Chamber of Commerce of the United States. He says: "Dr James Morris, my associate at the National Chamber, contributed a great deal to the research needed to produce this paper."

Now, the American society, proclaiming the worth of every human being, guarantees all citizens equal justice and equal political rights. Meanwhile, Marxism dreams—however unrealistically—of a classless society. But the U.S. industrial system prods us to get ahead or fall behind, and it awards big income prizes to the very few big winners that may be a hundred times the average family's income.

twice ideal

Much less study of equality has been made than of freedom, the twin ideal of the Age of Englightenment. Its elusive and paradoxical nature has relegated discussion of equality largely to rhetoric. Modern genetics makes it far from self-evident that all men, however created, are born equal. Though we are, in Boulding's phrase, as equal before deoxyribonucleic acid as before God, and share a common heritage of gene pools, the enormous complexity of human genetic structure—greater within races than between them—makes difficult the task of separating biological from social genetics and reveals our ignorance, as in the Shockley-Jensen dispute over IQ.

Recent study of the social behaviour of animals, ranging from bees to baboons, reveals that all such group behaviour is hierarchical, the intensity of hierarchical behaviour among higher primates varying with the degree of threat to the group from competition for food. Dominant animals among baboon troops receive differential perquisites associated with their higher value to the survival of the troop. Inequality among animals, in short, is not limited to humans.

double standards

Our society's double standard of social and political equality combined with economic inequality represents an uneasy compromise. No one recently has done more to clarify that compromise than Brookings economist Arthur Okun in a beautiful and probing analysis called *Equality and Efficiency*,[3] Shares of income and wealth fluctuate as society explores and adapts the compromise to changing values and economic developments. Recent study of US income distribution since the Johnsonian Great Society show significant changes in that tradeoff not widely or well known, which it is the main purpose here to examine.

Despite the continuous tension in US society between equality and efficiency, wide differences in living standards are by no means a specific characteristic of the capitalist industrialized nations. The Marxian theory of "immiseration," holding that real wages are bound to decline steadily under capitalism, is so far off the historic mark in America that contemporary US Marxists such as Herbert Marcuse, turning the original argument on its head, must contend that US workers are enslaved by capitalist bribes of increasing quantities of durable goods.

The yawning gap in world income distribution overshadows the inequalities of US income. In 1972, according to the World Bank, GNP per person in the US was $5,590; industrial countries, $3,670; in centrally planned economies, $580; and in developing countries, $280. The io of developed to underdeveloped comes is about twenty to one.

n the US it is overwhelmingly clear it the general standard of living, inding that of low income groups, has en enormously, a gain that is reflected the great increase in the expectancy of e during the past two centuries. cond, through tax and expenditure licy, social policy, and other measures, has been possible to move the balance me distance toward less inequality ithout fatal jeopardy to the market onomy. Third, it is arguable that the andard of living has risen more for the oor than for the rich.[4] The ever-increasing use of public good—roads, museums, arks, wildlife reservations, rivers, lakes, nd seashores—gives evidence that the nonopoly of these goods by the rich has ended.

industrial revolution

Before looking at income and wealth distribution in detail, though, it is well to remind ourselves of the role that advancing science and technology have played these past two centuries, and the promise of the future, in giving motive power to the ideal of reducing inequality. The systematic use of knowledge in industrial life that had marked the industrial societies—the industrial revolution—has enormously raised and broadened income and wealth. Despite valid concern for limits to growth, prospects for further gains in living standards and for their widespread distribution form the basis for rising expectation throughout the world and for the rise of equity, if not equality, as a realizable goal.

It is not easy to define or measure the concept of economic equality, or even to recognize perfect equality if it existed; but economic inequality is easily seen. Of the two conventional measures, income and wealth, income is the more important because it gives purchasing power to command a standard of living and, with property incomes included, reflects holdings of wealth. Income and wealth do not necessarily reflect welfare, though their lack may reflect its absence. Modern economists assume that more consumption is better than less. But a Buddhist might consider that view irrational by arguing that the aim should be to gain maximum well-being with modest consumption. The Buddhist-related doctrine that "Small is Beautiful," put forward by British economist E. F. Schumacher,[5] should not be ignored, if only because of its growing influence.

Very recent studies of US income distribution cast doubt on what up to now have been our conventional data—Census income figures—for measuring income distribution and on the method—Lorenz curves—for determining the degree of income inequality. A look at conventional results will allow us to put these recent studies in perspective and attempt an answer to the question, how far have we come ?

Property income—derived from holdings of wealth that yield dividends, interest, capital gains, and the like—and including self-employment income from unincorporated businesses, farms, and professional practices, amounts to about one-fifth of total family income in the nation. "Transfer payments," such as social sceurity, unemployment compensation, and other benefits for which no current services are provided in return, amount to one-tenth of all income. Transfers, as we will see, are the big equalizer—bigger, indeed, when non-cash transfers are included, than is generally realized. The vast bulk—about two-thirds—of US family income comes from wages and salaries. Except among the lowest tenth of all families in the income distribution (dominated by transfer payments) and among the top three or four percent (where property income prevails), wages and salaries account for at least half of the income of all groups.

According to Census data on money income, for all families (excluding unrelated individuals), the median income that divides the upper from the lower half of the families was $12,073 in 1973. The average income, the arithmetie mean, is pulled up by a few very high incomes and was over $13,000.

room at the top

As Paul Samuelson likes to say, "There's always room at the top is certainly true; this is because it is hard to get there, not because it is easy."[6] And he points out that if we made an income pyramid out of a child's blocks, with each layer portraying $1,000 of income, the peak would be far higher than the Eiffel Tower, but most of us would be within a yard of the ground. Samuelson goes on to explain how to measure degrees of inequality and reaches the conventional conclusion shared today by most economist and more widely by most intellectuals. "By calculating Lorenz and other curves, scholars find that inequality is definitely less in America that it was back in 1929 but little different today from 1945.'"[7] Or, as Arthur Okun puts it, "The relative distribution of family income has changed very little in the past generation."[8]

The conventional measure of income inequality, the so-called Lorenz cu plots the per cent of people on its h zontal axis and the per cent of income the vertical axis. A point established the Lorenz curve gives the cumulat per cent of income received by a corr ponding per cent of families. The defi tion of absolute income equality is the lowest 20 per cent of the famil (which in this case would mean any per cent) to receive 20 per cent of total income; for the lowest (any) per cent to receive 80 per cent of t income. Graphically, a line of absolu equality on a Lorenz curve would mo up from the origin at a 45 degree angle the diagonally opposite corner of t diagram at the 100 per cent point of bo income and families. Degree of inequ lity on a Lorenz curve in measured the area between the line of absolu equality and the line giving the actu income distribution.

Lorenz measure

In 1973, by the Lorenz measure, t bottom 20 per cent of all families rece ed 5.5 per cent of total before-tax mon income; the second 20 per cent receiv 11.9 per cent of income; the third per cent received 17.5 per cent of incom the fourth 20 per cent received 24.0 p cent of income; and the top 20 per ce received 41.1 per cent income.

Another way to grasp this result is note that the average money income of t lowest quintile is 27.5 per cent of avera income for all families.

If the lowest quintile had 20 per c of income, that means their average come would equal the average for families. For the lowest income, a sh of 5.5 per cent means 5.5 divided by or 27.5 per cent of average incor The top fifth of families had an avera income of slightly more than twice average of all families.

Lorenz curve data show that the high fifth of families had 43.3, 41.3, 40.5, a 41.1 per cent of all income in 1947, 19 1966, and 1973. The lowest fifth in th same years had 5.1, 4.8, 5.6, and 5.5 cent. Even though the growth of economy increased the absolute mor incomes of families in all quintiles, increases were in about the same p portion, leaving the distribution shares of income relatively unchanged

Although the nation's thought lead intellectuals, politicians, moralists, journalists are mainly dominated by de ed views of income distribution based Lorenz curves, such a measure is not only way to consider income inequal e Italian-born Swiss professor of econocs Vilfred Pareto, somewhat mistakenly lled the ideological father of fascism, d a different measure. By using a cern logarithmic chart, called the "Pareto art," he found that the upper income oup—the "upper tail" of the distribuon—had about the same structure and l along straight lines with almost the me slopes. He came to believe it was basic natural law that there is an initable tendency for incomes to be disibuted unequally in about the same ay—regardless of political institutions taxation. While careful studies of the ast 75 years have refuted the inevitabiy of Pareto's Law, it remains to reind us that we by no means fully nderstand the degree to which our own onduct in social groups is firmly within ur own rational control or subject to ndiscovered tendencies. It also reminds s that "absolute equality" as defined by Lorenz chart is not an exclusive efinition.

Indeed, in a recent study, Portland tate University economist Morton aglin proposes a basic revision of our easurement of inequality.[9] He argues at the Lorenz curve is based on an unalistic standard of inequality, because overspecifies the standards. He points t that, when used with annual income ata, Lorenzian equality requires that fetime earnings of families remain qual. It also requires that families durg the period of child rearing, when they ave maximum income needs, must have e same incomes as retired families when ey have minimum family responsibilies and maximum assets.

'absolute equality'

Finally, Lorenzian absolute equality ays no attention to the impact of econoic growth on lifetime earnings of older orkers compared to younger ones. If e economy grows at a pace that yields two per cent gain in real per capita come, there will be very large diffeences between lifetime incomes of older orkers and younger workers entering e labour force. If the spread averages 5 years between the new entrants and e retiring group, the younger workers' fetime earnings will be double or more e older ones'. No workable redistribuon scheme could right that much isparity.

Paglin proposes a new definition of uality that takes into account only the e-of-family profile but also economic owth and the rising rate of participaon by women in the labour force. He oposes that equality "is a condition in hich all families have equal lifetime incomes" in a hypothetical no-growth economy. In a growing economy this definition of equality requires equal lifetime incomes only for the same age group or generation. What are the implications of this definition?

The results are startling. Paglin persuasively demonstrates that a very substantial part of the traditional inequality —one-third to one-half—is merely a consequence of the diversity in the ages and size of families and of the lifetime income pattern typical of a technically advanced society. It is neither a limitation on lifetime opportunities nor an element appropriately evaluated as unjust or inhumane.

Paglin also shows that the widely accepted conclusion of no change between 1947 and 1972 in inequality of income despite massive social welfare spending is factually erroneous. His analysis instead shows a considerable reduction of net inequality and a marked improvement in the share of the lowest fifth, somewhere around a 23 per cent decline in inequality during the 25-year period, 1947-1972.

differences in results

When Paglin looks at bottom and top fifths of the population, he also gets differences in results that are startling. He holds that it grossly exaggerates the income deprivation of the lowest fifth of families to calculate by the Lorenz technique that they receive only 5.5/20 or 27.5 per cent of the income share that would accrue to them under conditions of perfect equality. By his age-adjusted and growth-adjusted measure of equality, if we take as given the current age distribution and age-income profile, there would still be a "poorest" 20 per cent of the families having only 12.9 per cent of the income pie. Comparing the 5.5 per cent with the 12.9 per cent, rather than with the 20 per cent figure, means agreeing that equality of lifetime income is a reasonable norm, and that we should not require of a definition of equality that income each year should remain the same from teenage to retirement and death. By using the Paglin definition, we see that the poor families receive 5.5/12.9 or 42.7 per cent of income if it were equally distsibuted by his criteria. The revision of the equality norm produces a 55 per cent improvement in the relative assessment of the lowest income group, from 27.5 to 42.7 per cent of the equality income share. A similar analysis would reduce the average of the top fifth above the equality share from 2.07 times to 1.66 times.

To a large extent, then, the resistance of the poorest 20 per cent to improvement in Lorenzian terms appears as a bui in result of the age distribution of th population, and is not wholly related t the condition of a permanent class c people excluded from the average level c real income enjoyed by most familie Indeed, as Paglin points out, higher income families have larger, not smaller family size as commonly thought. Th lower income families are found mor often among she old and the young where family size is below average.

various distortions

It is not Lorenz curve analysis alone that has distorted our assessment of the way our society distributes family income It is also distorted by a federal statistical decision to exclude from the definition of income those need-based, in-kind transfer payments referred to as "merit goods." As a matter of social policy, the US has decided to mitigate poverty by making large transfers in the form of public housing, rent supplements, food stamps and food assistance, medicaid, and social services such as day care and the like. The federal government, however, excludes these transfers from the statistics on poverty and inequality. Fifteen years ago, in-kind transfers were small enough to be overlooked. Recently, however in fiscal year 1973, spending on the major income-tested transfer programmes (federal, state, and local) totalled $30.7 billion, of which 55 per cent or $16.9 billion were in kind transfers. Paglin makes the following estimate. If we use family units, only 80 per cent of the in-kind transfers or $13.5 billion is applicable. Assuming that 20 per cent of the $13.5 billion goes for administration, the remaining 10.8 billion, if it goes to the bottom fifth of families, boosts its 1972 income share from 5.4 to 7.0 per cent. So, if in-kind transfers are included as income and they amount to no more than restricted income grants), the lowest fifth of families would have a share, not of 42.7 per cent but of 55 per cent their equality share of 12.9 per cent.

In fact, the unprecedented transformation in governmental policy in just over a decade is only now being realized. Today, more than half of all government expenditures are on social welfare programmes, almost tripling in the eight years from $77 billion in 1965 to $215 billion in 1973. Inflation is only partly responsible for this growth; in real terms from 1947 to 1973 social welfare expenditures grew by almost seven-fold. The term "social welfare" here refers to social insurance, public aid, health and medical, veterans' programmes, education, housing and other social welfare spending. Combining these programmes under the rubric "social welfare" emphasizes the scope of government efforts to achieve equity by providing means for a good start through education and by protecting people against the risks of industrial and urban life in a market economy. These expenditures rose from 8.3 per cent of the net national product (NNP) in 1947 to 19.3 percent in 1973. If private philanthropy of more than $20 billion were added, the total would exceed one-fifth of the net national product, itself a measure of the nation's output net of allowances for the consumption of capital.

If the nation is spending about a fifth of its net national output for broadly defined social welfare programmes in a period when total employment is at a peak, (even though joblessness is high), participation rates of women in the labour force are approaching 50 per cent, and average family size is for the first time in the country's history below three members per family, why has officially-defined poverty not declined much more than it has? Despite the vast effort just described, the number of Americans officially defined as poor declined by less than one-third, from 33 million in 1965 to 23 million in 1973. The question is the basis of a recent study by University of Virginia economist Edgar K. Browning.[10] He discovered that the net transfer to the poorest 25 percent of the population in 1973 of $80 billion which, when added to before-tax income, is more than enough to have moved every family above its respective poverty line, failed to reduce the number of poor below 23 million. The explanation is simple: a large share of government transfers are simply not counted as income.

unreliable statistics

When in-kind transfers *are* counted as income, Browning found that the average income of those officially counted as poor in 1973 was 30 per cent *above* their average poverty line. Browning concluded; "Therefore, in a meaningful sense poverty had become virtually non-existent in America by 1973." He also concluded: "It only remains to recognize that government statistics on the money incomes of low-income families are totally unreliable as a measure of the real incomes of these families." Finally, he concluded along with Paglin that, contrary to the conventional view of most of the nation's thought leaders, intellectuals politicians, moralists, and journalists, there has been a dramatic improvement in the past 30 years in the relative position of the lowest 20 per cent of families the adjusted share (counting in-kind transfers) of income going to the bottom fifth haviug risen from 5.0 per cent to 8.0 per cent from 1965 to 1973, a 60 per cent improvement.

In a peculiar but important sense economists of the past generation, in what Congressional Budget Office economist Alice Rivlin[11] calls "a truly amazing act of self-denial" took themselves out of the debate over the preferred or optimum distribution of income. They concluded on theoretical grounds that interpersonal comparisons of utility were not possible—taking a thousand dollars from a millionaire and giving it to a sharecropper with hungry children produced a result to total human welfare they refused to evaluate. It is clear that the US people had less difficulty with the proposition.

the trade off

Economists could talk about the trade-off of equality and efficiency. This Okun does[12] in concluding that "the market needs a place, and the market must be kept in its place." Okun bows to the market's efficiency, its protection of our freedoms from transgression by the state, its responsiveness to consumer and producer signals where a reasonable degree of competition is ensured. He considers most important the prizes the market offers for work effort and productive contribution. He fears that checks too onerous to market incentives would conceivably cause the nation to stop caring about achievement. But Okun gives the market only two cheers; its tyranny of the dollar yardstick tempers his enthusiasm. He fears that, given the chance, the market would sweep away all values except its own and establish "a vending machine society." There are rights and powers that money should not buy, and they have to be protected by the state. Okun believes that once those rights are protected and economic deprivation ended, the society would be more willing to let the competitive market have its place. And he believes the fulfilment of right to survival and the eradication of poverty are within the grasp of this affluent nation.

Still another goal besides balance in the tradeoff of equality and efficiency is that of equalizing opportunity. Equalizing opportunity to earn income, like free trade, could be defended on grounds of increasing total income. The disappointment of empirical research (the Coleman study, et al.) was it showed that family influence far outweighed public investment differences in success in school or at job. The theory of investment in human capital offered hope of goiog for the goal of narrowing income disparities in the
generation. Its appeal in the
came from the hope that educ
could explain the income distribu
could account for variations a
groups, regions, and individuals
otherwise accounted for, and coul
widely perceived as a worthy u
resources compared to consumer friv
By the 1970's, it was not clear
investment in the disadvantaged
some good, or that more educ
people might not only glut the ma
and reduce, not raise, their incomes.

But, turning from goals to actions
embarrassing question put by Paglin
Browning is just how well do the e
tarians of today know the facts? If
do not know accurately how much b
off the poor in fact are, or how m
incomes in fact are concentrated at
top, how will they go about making
gress away from inequality without
intentionally bumping into inefficie
It was de Tocqueville who observ
kicker in the rage for equality:

> "The foremost or indeed the
> condition required in order to suc
> in centralizing the supreme power
> democratic community is to love e
> lity, or to get men to believe you
> it. Thus the science of despot
> which was once so complex, is sim
> fied, and reduced, as it were, t
> single principle."

Significantly, Browning tentati
concludes that the low-income popula
over the past two decades appears
have become less self-supporting
more dependent on government trans

difficult proposition

What's more, financing redistribu
of income is difficult. Bertrand
Jouvenel discussed this and other asp
of the question incisively back in 195
He did not believe that "the arithm
of happiness" added up. Proponents
equality do arithmetic that overestim
what is to be taken away from up
income brackets and underestimates h
much tax funds have to be pumped i
the lower brackets. To illustrate, Bro
ing estimates that for every one per c
of net national product that is redis
buted, marginal tax rates for all fami
must be raised by five percentage poi
For one thing, only the income above
average is available to be taxed to p
vide funds to be redistributed downwa
For another, greater redistribution me
higher tax rates have to be levied on
recipients as well as on those w
finance the redistribution. Brown
concluded that unless we are willing

e effective marginal tax rates in of 50 per cent, there is little scope creasing the share of the net natio- oduct transferred to the low income ation. Clearly, as in the past,econo- rowth remains the major means for ving the well-being of all, growth ting responsiveness to the desire for ity and quality.[14]

tish experience is not encourag- efficiency in the trade-off with ity.[15] There, the rich have getting poorer and so have poor. In 1972, the top one ent of income earners got four cent of income, four times the ge. The top ten per cent got twice erage, and the bottom ten per cent bit under half the average. Income itain is distributed as in Poland. years, to 1972, taxable income of op one per cent of earners went from 12 per cent to four per cent, 72, tax free benefits in cash and amounted to half of pre-tax income pical household in the bottom ten ent. There, too, myth buries fact. lmost undisputed that the top ten ent owns 80 to 90 per cent of the s, but when state pension rights are ted as an asset, and they should e top ten per cent over 18 owns han half of personal wealth. At this the United Kingdom public sector out 56 per cent of GNP; that is, so is controlled and spent by the .

not enough left

e trouble in Britain with soaking the is that not enough are left. to soak. s take 25 per cent to the average er's salary, up from a negligible per in 1963. As workers stung by rising s press for higher salaries, inflation isen from two per cent a year in the 1930's to 25 per cent a year today. though taxes have financed a big th in public goods, people still like actice to use their own money, and t like to pay taxes so government control 56 per cent of GNP. The age person is not so enthusiastic t what is called "Socializing the onal Income." Of course, with wages lerating behind rising taxes, the lting turbulence generates the wage- e spiral but prices lag from competi- at home and abroad, so profits e fallen for many years as a share of onal income or a rate of return on ital.

wo decades of declining profits mean w deal to savers, already suffering erely from the costs of accelerating ation. Where profits and dividends in real terms turn negative, the effect on life insurance and pensions is corrosive. This means that employers see pension costs skyrocket just to keep even with obligations in money terms. Competition for labour and for savings gets unbalanced. Public sector demand saps the private supply of labour, creating sudden labour shortages in expansions. Upper and middle management can't be paid what they could get in other countries, since it takes a raise of £15,000 a year to create a post-tax in-increase from £8,000 to £12,000. Rewarding skill or hard work has become almost prohibitive. British companies that put top management in Europe or elsewhere on French salaries don't get them back.

lessons drawn

Minority leader Margaret Thatcher, former chemist and present housewife, Member of Parliament and leader of the British Conservative Party, draws these lessons:

1. The pursuit of equality is a mirage. More practicable is pursuit of equality of opportunity. Says she: "Let the children grow tall—and some grow taller than others."
2. The United Kingdom must strike a proper balance between the growing demands and powers of the state and the vital role of private enterprise.
3. The United Kingdom must measure the consequences of the economic and political demands of some of its people.

It does seem clear from this review that the United States generally is suffering from a perceptual lag about income distribution. That lag distorts judgments concerning the trade-off between equality and efficiency, causing them to err on the side of erroneously favouring measures to reduce income inequality further. It seems also, from the review of in-kind transfer, that serious thought ought to be given to cashing-out such benefits in in order to create a better and more comprehensible income-transfer system. Finally, if we are unable definitively to answer the question, how far should we go, it nevertheless seems painfully evident the answer has to be, not so far as Britain.

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Are we sweating our aged ?

O. P. Sharma

THE AGEING of population has its effects on the economic, social and political well-being of a society. However, we have so far not done much for that section of our population which has moved into its sixties or beyond. Its number is substantial. At the 1971 census, out of 548 million people, almost 33 million had crossed their sixtieth birthday. Of these, 17 million were males and 16 million females. This analysis is restricted to the 17 million aged males only and for this purpose it groups our 21 states and nine union territories into eight zones as follows:

(i) Jammu & Kashmir-Himachal Pradesh;

(ii) Rajasthan - Punjab - Chandigarh Haryana-Delhi;

(iii) Uttar Pradesh-Madhya Pradesh;

(iv) Orissa-Bihar-West Bangal;

(v) Meghalaya - Assam - Arunachal Pradesh-Nagaland - Manipur - Mizoram-Tripura;

(vi) Gujarat - Maharashtra - Goa, Daman & Diu-Dadra & Nagar Haveli;

(vii) Andhra Pradesh - Karnataka Kerala-Tamil Nadu-Pondicharry; and

(viii) Lakshadweep - Andaman & Nicobar islands.

The distribution of males between villages and towns is uneven. Zone III accounts for 24.74 per cent of old males living in rural areas, zone VII for 23.84 per cent and zone IV for 21.33 per cent. In the case of old males living in towns, zone VII leads (28.45) and zone II comes second (19.69), closely followed by zone VI (19.40). To account for this unevenness, we have to examine factors like migration and age-specific death rates for the older population. At this stage and with the available data, all that can be said is that there does not exist any significant relationship between the If we take the distribution of old (60 years and above) who are econom active, the proportions are not the as those of their total population in rent states and union territories. suggests that the old men living in rent parts of the country are not ec mically well off uniformly. This is for old males in villages as well a towns. Table I gives the distributic old male population as well as old workers in each state and union terr both for villages and towns separate

Generally, persons who have cr their sixtieth birthday are not expect work manually to earn their livelih Superannuation benefits like pension gratuity are available to only a lin number. Large groups like cultiva agricultural labourers and those who been engaged in petty trades and pr sions are not entitled to any such s security from the state. Hence they

TABLE I

Male Work Participation Rate, 1971 and Distribution of Old Male Population and Old Male Workers

Zone	India/State/Union Territory	Work participation rate,1971 (males)		Percentage distribution of			
				Aged Population		Aged Worke	
		Rural	Urban	Rural	Urban	Rural	Ur
1	2	3	4	5	6	7	
	INDIA	77.42	55.36	100.00	100.00	100.00	10
I	Jammu & Kashmir	72.46	53.51	0.94	0.71	0.89	
	Himachal Pradesh	80.59	61.71	0.97	0.23	1.01	
II	Rajasthan	72.89	55.58	4.44	4.24	4.18	
	Punjab	70.56	57.91	3.49	3.80	3.18	
	Chandigarh	67.14	41.20	0.01	0.16	0.01	
	Haryana	70.56	57.22	2.10	1.95	1.91	
	Delhi	47.02	50.00	0.09	3.04	0.07	
I	Uttar Pradesh	83.26	65.84	20.62	13.73	22.17	1
	Madhya Pradesh	81.37	60.45	7.12	5.96	7.49	
IV	Orissa	76.85	60.28	4.22	1.50	4.19	
	Bihar	83.79	65.01	10.78	4.95	11.66	
	West Bengal	72.25	45.48	6.33	10.35	5.91	
V	Meghalaya	85.02	52.54	0.16	0.10	0.18	
	Assam*	72.96	56.80	2.65	1.08	2.50	
	Arunachal Pradesh	68.54	68.14	0.08	neg.	0.07	
	Nagaland	90.24	72.00	0.14	0.01	0.16	
	Manipur	74.46	58.25	0.20	0.15	0.20	
	Tripura	76.33	47.12	0.35	0.18	0.35	
VI	Gujarat	73.76	51.30	3.65	6.15	3.48	
	Maharashtra	75.34	52.66	7.66	13.06	7.45	1
	Goa, Daman & Diu	53.47	46.66	0.13	0.19	0.09	
	Dadra & Nagar Haveli	82.48	@	0.01	@	0.01	
VII	Andhra Pradesh	76.50	57.37	8.46	7.03	8.36	
	Karnataka	75.77	55.03	5.19	6.47	5.08	
	Kerala	62.50	46.48	3.82	3.37	3.08	
	Tamil Nadu	76.78	15.79	6.30	11.35	6.25	1
	Pondicherry	72.11	43.69	0.07	0.23	0.06	
VIII	Lakshadweep	34.04	@	0.01	@	neg.	
	Andaman & Nicobar Islands	76.47	55.43	0.01	0.01	0.01	

*Including union territory of Mizoram. @Entirely rural

r to depend on their children or con-
to work themselves to earn a liveli-
. The economic situation in the
ges is generally such that a majority
e population including children and
people, have to work either to earn
livelihood or supplement the family
me.

ccording to the 1971 census, work
icipation rate among rural old males
ears and above) was 77.42 per cent
e in towns it was 55.36 per cent.
k participation rate in respect of old
en living in villages was 11.31 per
while for those in towns it was 6.42
cent. The dependency among females
aturally, higher than among males.
higher among urban woman than
ng rural women, mainly because the
r lend a hand in cultivation. Among
es also, the dependency is a shade
er in towns as compared to villages.

hus we see that a significant diffe-
e exists between the work participa-
rates in respect of males as well as
ales living in villages and towns. The
rence is significantly high in some of
states and union territories because
in villages, as in Nagaland, nine out of ten old males have to engage themselves in some economically productive activity. In towns, seven out of ten old males work. Table II shows a wide inter-zone variation but a remarkable intra-zone similarity. Work participation rate among rural males in zones II and III, barring union territories which have comparatively small populations, are somewhat identical.

We also find that all other zones have almost identical rates. Among village males, when we look at the intra-zone variations, we find that the rates among village males are quite close to each other. Take for instance zone II. Punjab and Haryana have an exactly equal work participation rate. Madhya Pradesh and Uttar Pradesh in zone III and Gujarat and Maharashtra in zone VI have almost identical work participation rates. In zone IV, as we go eastward, the rate has a tendency to decline. In zone VII also, all its constituents except Kerala have identical work porticipation rates. A similar pattern emerges in respect of males living in towns. As regards old rural women, their work participation rate is exceptionally high in Nagaland (73.13), followed by Meghalaya (44.97) and Arunachal Pradesh (42.25).

The lowest rate is observed in zone II—Punjab (0.77) and Haryana (1.84). Zone V has reasonably high rates followed by zone VII. In the case of urban females, their work participation rate is quite low in zone II and significantly high in zone V. There is not much of an intra-zone variation except in zone V. Assam and Tripura have the lowest and almost identical rates. Meghalaya, Manipur and Nagaland present an almost similar pattern. The highest among all the states and union territories is Arunachal Pradesh where five out of ten women living in towns are economically active. We have then to conclude that while there does exist an inter-zone variation in the work participation rates, there is not much of an intra-zone variation.

Another point brought out by Table I is that the work participation rate among males and females living in villages is quite high when compared with their counterparts in towns. The high participation rate clearly suggests that our

TABLE II

Proportion of Aged Males to Total in Rural Areas

e	India/State/Union Territory	Total pop.	Total wks.	Industrial Activity									
				I	II	III	IV	V(a)	V(b)	VI	VII	VIII	IX
	2	3	4	5	6	7	8	9	10	11	12	13	14
	INDIA	6.26	9.06	11.32	6.44	5.27	2.79	9.25	4.65	4.77	7.79	2.78	4.72
	Jammu & Kashmir	6.67	8.99	10.07	6.77	6.09	3.00	10.64	3.55	4.02	9.29	3.70	2.73
	Himachal Pradesh	8.39	12.94	16.12	9.98	4.43	6.38	16.04	8.62	2.61	10.48	4.22	1.91
	Rajasthan	5.65	7.68	8.44	4.96	4.00	2.35	8.97	6.37	3.76	9.54	2.22	3.75
	Punjab	8.89	11.67	14.04	9.13	7.71	7.88	16.23	6.60	6·50	12.79	4.37	5.42
	Chandigarh	6.28	7.23	14.77	10.55	4.44	0.00	16.82	5.30	3·87	8.28	1.88	2.93
	Haryana	6.69	9.94	11.99	8.16	4.60	3.86	12.08	4.02	4.77	11.13	2.58	3.96
	Delhi	5.32	7.62	17.41	9.96	7.25	2.36	12.76	3.72	3.16	8.15	1.88	1.84
	Uttar Pradesh	7.22	11.35	13.09	8.15	7.64	3.60	10.40	5.90	5.26	10.56	4.15	5.07
	Madhya Pradesh	5.63	8.29	9.77	5.32	4.73	1.70	8.07	5.12	3.33	8.25	2.11	4.90
	Orissa	5.92	8.15	10.59	4.93	4.41	1.42	8.32	3.77	3.15	7.56	2.70	3.81
	Bihar	5.90	9.38	11.94	7.04	3.32	2 03	8.69	4.32	5.13	7.98	3.12	4.43
	West Bengal	5.19	7.74	10.86	5.25	5.60	1.65	6.58	3.87	4.12	6.15	2.66	5.32
	Meghalaya	5.19	8.16	9.25	5.62	7.08	4.69	8.58	6.82	3.69	7.43	3.01	3.07
	Assam*	5.24	7.85	9.47	5.75	4.78	2.20	8.46	4.33	3.07	6.54	2.04	3.18
	Arunachal Pradesh	4.57	4.99	6.50	4.70	14.46	0.00	7.18	5.00	0.51	3.41	0.00	0.96
	Nagaland	7.94	13.39	16.93	8.88	2.45	4.41	6.52	1.91	2.18	2.36	0.29	1.48
	Manipur	6.13	9.83	11.59	8.49	7.88	0.00	9.61	5.50	6.14	9.01	2.47	2.83
	Tripura	6.99	10.60	12.95	7.85	6.98	0.00	12.04	6.32	4.11	8.21	2.52	4.56
	Gujarat	5.23	7.30	9.08	4.54	6.18	2.91	7.66	2.50	3.58	6.40	1.51	4.59
	Maharashtra	6.17	8.84	11.65	6.30	4.98	4.14	8.98	3.47	4.51	6.80	2.00	3.23
	Goa, Daman & Diu	6.04	6.94	12.20	5.68	7.79	1.46	7.84	2.62	3.16	6.33	2.39	3.71
	Dadra & Nagar Haveli	3.74	5.56	6.80	2.54	1.86	0.00	8.08	1.30	0.64	4.37	2.04	1.40
I	Andhra Pradesh	6.74	8.56	10.55	6.72	5.44	5.51	9.95	6.70	6.05	8.56	3.40	7.43
	Karnataka	6.50	8.73	11.10	5.92	5.22	3.73	8.73	5.47	4.74	7.14	2.76	5.27
	Kerala	6.08	8.39	17.25	6.27	5.62	5.91	8.86	4.30	5.38	5.34	2.30	4.13
	Tamil Nadu	6.15	8.07	10.73	6.01	5.63	3.71	7.64	4.01	5.73	6.55	2.58	5.59
	Pondicherry	6.71	9.36	16.43	8.50	10.11	1.87	11.36	5.41	6.03	7.77	3.84	4.83
II	Lakshadweep	5.26	4.66	0.00	0.00	6.81	0.00	6.23	7.60	1.54	4.00	1.51	2.38
	Andaman & Nicobar Islands	2.88	3.62	12.07	3.40	2.72	3.05	5.23	0.68	0.29	2.26	1.12	0.58

*Including union territory of Mizoram

roductive population is not burdened with any heavy 'non-productive' element in our society. The old age group tries to remain economically active and not be a burden on the younger generation. Can it be that our social system encourages these old people to work as long as possible? In the following paragraphs, an attempt has been made to measure the impact of old males on the total population, labour force and different industrial activities.

The size of our aged population in rural areas of each state and union territory is revealed by column 3 of Table II. It varies between 2.88 in the Andaman & Nicobar islands and 8.89 in Punjab. This variation is perhaps not due to differences in longevity. Migration plays an important role in disturbing the balance in the different states and union territories. In zone V, though Nagaland had the second highest proportion (7.94) of aged males and Uttar Pradesh occupied the third position (7.22), all the southern states have reasonably high proportions. Though a little less than zone VII, two of the three constituents of zone IV too have almost equal proportions. Otherwise in other zones the ratios very considerably.

This is the position when we look at the percentage of aged males to total males in each state and union territory. But when we look at the proportion of aged male workers to total male workers, all other states and union territories have higher proportions when compared to their respective proportions of aged male population. These old males are thus contributing more to the economy as compared to other ages.

Nagaland's contribution

Nagaland occupied the first position. Its contribution towards the aged male population was 7.94 per cent and to aged male workers was 13.39 per cent, the highest in the country. Though Punjab returned the highest percentage of old age groups to total population, it came third in respect of old male workers. The second position is occupied by Himachal Pradesh. Uttar Pradesh presents a similar picture with aged males forming 7.22 per cent of its total population and providing 11.35 per cent of its labour force. Other states and union terr also have higher proportion of old workers as compared to their resp shares of old male population, the mum difference being noticed in A chal Pradesh.

It is natural that in a predomin agricultural economy, the highest c bution of old males should be i sphere of cultivation. In Delhi, per cent of male cultivators are aged males. In Kerala 17.25 per ce male cultivators are more than 60 of age. In other states, like Har Maharashtra, Orissa, Bihar and Bangal, at least one out of ten male tivators is an aged worker. Aruna Pradesh has the least proportion (6.5 such old male workers, but even proportion is high when compared the proportion of total population well as total workers. There is not state or union territory where the portion of aged male workers is than their proportion of the total p lation of that state or union territory

If we take the category of agricult labourers, in Rajasthan, Madhya Prad

TABLE III

Proportion of Aged Males to Total in Urban Areas

Zone	India/State/Union Territory	Total pop.	Total wks.	Industrial activity I	II	III	IV	V(a)	V(b)	VI	VII	VIII	I
1	2	3	4	5	6	7	8	9	10	11	12	13	1
	INDIA	4.73	5.37	14.71	7.82	6.39	2.23	7.97	3.43	5.02	7.00	2.86	4
I	Jammu & Kashmir	4.30	4.88	11.26	6.70	4.31	1.87	5.31	4.37	3.57	7.86	3.32	2
	Himachal Pradesh	4.51	5.10	19.80	15.58	3.53	3.03	11.22	5.96	1.63	9.58	2.63	2
II	Rajasthan	4.87	6.00	12.19	7.75	7.98	5.47	8.70	4.62	5.39	8.14	2.19	3
	Punjab	6.09	7.07	14.57	9.77	8.14	18.18	11.08	5.00	5.98	9.69	3.73	4
	Chandigarh	3.41	2.63	18.92	13.67	3.79	0.00	4.76	2.48	3.72	5.07	1.69	1
	Haryana	5.65	7.00	16.00	10.58	9.01	6.29	10.69	4.32	6.53	10.00	2.75	4
	Delhi	4.17	4.07	16.96	9.74	6.83	5.32	6.32	3.25	3.78	7.29	2.16	2.
III	Uttar Pradesh	5.61	7.72	15.49	9.64	11.11	5.66	9.26	5.71	8.36	10.73	5.31	5
	Madhya Pradesh	4.56	5.97	15.24	7.70	6.80	1.51	8.27	4.47	5.49	8.46	2.80	3.
IV	Orissa	4.17	4.96	14.49	6.69	4.31	1.56	8.46	2.58	3.89	6.10	2.25	3.
	Bihar	4.41	6.04	14.21	8.14	6.14	2.21	8.28	3.41	4.94	7.90	2.67	4.
	West Bengal	4.59	4.19	13.35	6.36	5.62	3.08	5.77	2.83	4.43	5.80	2.27	4.
V	Meghalaya	3.60	3.89	15.78	5.12	4.84	0.00	5.83	4.42	4.50	6.33	2.89	2.
	Assam*	3.96	4.48	12.03	8.61	5.23	0.49	0.68	3.76	0.28	6.10	1.45	3.
	Arunachal Pradesh	0.95	0.92	4.98	7.63	0.00	0.00	5.22	3.23	2.00	2.22	0.00	0.
	Nagaland	1.15	1.18	9.13	2.01	3.20	0.00	2.35	2.77	2.18	2.23	1.06	0.
	Manipur	5.63	8.62	14.87	14.85	2.85	0.00	11.98	8.10	6.42	9.36	3.45	4.
	Tripura	6.05	6.82	17.54	10.95	5.21	0.00	10.30	6.44	7.22	8.75	2.19	4
VI	Gujarat	4.32	4.68	12.05	5.86	6.37	1.85	7.67	3.11	3.96	6.37	1.73	4.
	Maharashtra	4.20	4.34	17.09	8.51	5.61	4.22	8.54	2.48	4.20	5.61	2.36	3.
	Goa, Daman & Diu	4.46	4.07	18.15	7.46	7.67	2.72	10.11	3.57	3.76	5.21	1.30	2.
	Dadra & Nagar Haveli						Entirely rural		–				
VII	Andhra Pradesh	4.53	5.21	14.09	7.55	6.77	1.94	7.59	3.50	4.72	5.98	2.59	3
	Karnataka	4.83	5.51	13.47	7.22	6.14	2.24	7.54	3.36	5.54	6.25	3.38	3.
	Kerala	5.40	5.77	23.70	7.38	7.38	6.97	8.44	3.82	5.68	5.99	2.62	3
	Tamil Nadu	4.94	5.08	15.35	7.36	5.39	1.20	6.73	3.13	5.48	5.64	2.96	3
	Pondicherry	6.32	6.25	19.45	10.58	9.72	0.65	12.54	4.17	5.68	7.17	3.88	4
VIII	Lakshadweep						Entirely rural						
	Andaman & Nicobar Islands	1.64	1.37	15.94	2.78	1.68	0.00	1.67	1.36	0.96	2.81	1.28	0

*Including union territory of Mizoram.

sa, Gujarat, Kerala and Tamil Nadu, proportion of aged males in that gory is less than that of their propor- in the total population. Otherwise, ll other states their proportions are ner. The highest was in Chandigarh, owed by Himachal Pradesh and Delhi. espect of manual labour employed in organised sector of manufacturing, proportion often exceeds that met h in cultivation. This trend is obser- l in states and union territories falling zone II, Chandigarh being the leader, sely followed by Punjab and Himachal adesh. The southern states also have her proportions of old males engaged the organised sector.

Construction labour

Construction involves a lot of manual bour. In this group, there are at least ght units where one or more out of 20 ale workers engaged in construction e above 60 years of age. Half of these e in zone VII, representing the southern ates. But the highest proportion was Punjab. Other states in zone II did ot record such a high proportion. The west proportions among all the states d union territories were in Arunachal adesh (0.51) and Dadra & Nagar aveli (0.64). 'Trade and commerce' hich requires relatively less manual bour also has high proportions, but ot as high as one would expect of this ctor. Zones I and II are on top when mpared with other zones. Zone III lso has a reasonably high proportion. here does not exist a similar pattern mong the constituents of zone V. therwise there is not much of an intra-one variation.

To sum up the rural scene, old males re even today required to do much nanual labour in our villages. Out of he entire labour force in the villages, .06 per cent are aged males, almost 50 er cent higher than their proportion to otal population (6.26).

Let us turn to urban areas now. Two union territories, Dadra & Nagar Haveli and Lakshadweep, are entirely rural. They will not be discussed in this section. Column 3 of Table III, compared with column 3 of Table II, shows that the proportion of old males is in no case higher in towns than in villages. This is perhaps not because of higher mortality of old men in towns, but rather because of migration. In Nagaland and Arunachal Pradesh there is a wide gap between the proportions of towns and villages; in other states and union territories, the gap is not so wide. In the case of old male workers, the ratio is never higher in town than in villages. The gap may not often be much, but it is quite significant. In Nagaland, the gap is quite big and in the case of its contiguous state, Manipur, where the proportion of old male workers is the highest, the gap is the least. The most populous state, Uttar Pradesh, had the second highest proportion (7.72). Punjab and Haryana have reasonably high ratios of old male workers in urban areas. There does not, however, exist much intra-zone variation in zones VI and VII. Zone V presents quite a diversified picture, as the units with the highest and lowest proportions fall in this zone.

As in our villages, so in our towns the proportion of old men is significantly high in the labour force employed in cultivation. In Kerala, where the proportion is the highest, every fourth cultivator has crossed his sixtieth birthday. In Himachal Pradesh, every fifth cultivator is an old male. The same is the case with Pondicherry. In the bigger states, the ratio of aged males is moderately high, varying between 12 and 18 per cent. The contribution of old males towards agricultural labourers is highest in the case of Himachal Pradesh (15.58), followed by Manipur (14.85), Chandigarh (13.67) and a little lower in the cases of Tripura (10.95), Haryana and Pondicherry (10.58). The state where the proportion is lowest in Nagaland. If one runs one's eyes down the remaining columns of Table III, one can see that generally the proportions in respect of old males in towns are similar to those of old males in villages, though higher in both the cases than what one would expect. One has to conclude that these old males are not entirely dependent on others and try to earn their livelihood, even when this means hard manual work.

distribution by activity

We may now look at the distribution of economically active old men by different activities. This may bring out more forcefully the point at issue — how much these people have to exert themselves physically at their age. Tables IV and V give the distribution of aged male workers living in villages and towns of each state and union territory. Table IV shows that old workers in rural areas were predominantly employed in fields, maybe their own fields or as agricultural labourers. Among cultivators their ratio was (69.94) per cent and among agricultural labourers, 17.92. This means that more than 87 per cent of the rural old male workers were employed in agricultural pursuits. In urban areas, as one would expect, the majority of males (27.96 per cent) was engaged in trade and commerce, followed by manufacturing (21.87) inclusive of household industry. At the time of the 1971 census 47,129 old males in villages and 51,329 in towns were employed in 'construction'. Agricultural labourers have to work hard, but the working conditions of the construction workers are worse. It is a pity that even after 27 years of independence men aged 60 or more have to carry loads on their heads in order to have a meal in the evening.

broad sectors

Table IV gives the percentage distribution of workers over ten broad sectors of industrial activities. Column 4 of the table shows that in all the states and union territories the majority of the aged male workers is engaged in cultivation. In Nagaland, 96 out of 100 aged male workers were cultivators. The lowest ratio (35.96) was in the union territory of Pondicherry. Uttar Pradesh (77.59) and Madhya Pradesh (76.87) have almost identical ratios. The components of zone I also have identical ratios. The components of zone VII have almost the lowest ratios of cultivators. Invariably agricultural labourers occupy the second position in almost all the states and union territories. Pondicherry which had the lowest percentage of cultivators has the highest number of agricultural labourers (35.79). If we take cultivators and agricultural labourers together, we find that Pondichery joins other states and union territories.

Coming to 'other industries' we find that manufacturing (organised as well as household industry) accounts for a substantial number. In almost all states and union territories a higher proportion of its old age male workers was engaged at household industry. This is quite understandable but the employment of old people in organised manufacturing is a matter of concern. The southern states employ more old people in the organised sector. Surprisingly, in zone II, Punjab and Haryana have significantly lower ratios of workers employed in manufacturing, the two union territories of Chandigarh and Delhi have the highest ratio. Arunachal Pradesh (zone V) has the lowest ratio.

In the construction sector, zones III and IV employ the minimum number. The ratio is a little higher in zone II and still higher in zone VII. Chandigarh employs the maximum proportion (3.45) in this sector. It is followed by Lakshadweep. The southern states have an appreciable proportion—Kerala (1.31), Andhra Pradesh (0.85), Tamil Nadu (0.78) and Karnataka (0.68). The proportion is lowest in Arunachal Pradesh (0.01), preceded by Orissa (0.15), ihar (0.17), Uttar Pradesh (0.19) and Iadhya Pradesh (0.21). The ratios are ot alarming; but when we see the bsolute number, the total old males mployed in this sector are 98,458, of vhom half are in villages.

One can reasonably expect old people to run small shops or grocery stores in villages as it will not entail physical strain. Zone II leads in this sphere. Zone VII closely follows. Zones III and IV have an almost identical story to tell. The ratio is highest in Chandigarh (6.73) followed by Pondicherry (5.80) and Goa, Daman & Diu (5.79). Among states, the proportion is highest in Kerala (5.93). Punjab (3.59), Haryana (3.34), Andhra Pradesh (3.50) and Tamil Nadu (3.17) are very close to each other. The lowest ratio is seen in the east, Arunachal Pradesh (0.36) and Nagaland (0.23). There seems to be uniformity when we look at the ratios within the zones, suggesting that the economic and social conditions coupled with the geographical conditions lead to a uniform pattern.

Another sector which requires considerable amount of manual labour covers transport, storage and communication. Transport covrrs road, rail, water and air. Railway transport and communications (which includes postal, telegraphic and telephone) are under the control of the state, hence employment of persons above the age of 60 can be ruled out in this part of the sector. The remaining part definitely requires hard manual labour. Zone III comes off best, as the proportion in Madhya Pradesh is only 0.11. In Uttar Pradesh it is slightly higher.

inland navigation

In zone IV, Bihar and Orissa have 0.29 and 0.23 per cent respectively, but West Bengal has 0.50, perhaps because of inland navigation involving transportation by boats, etc. Similar ratios have been observed in all the southern states coming under zone VII—Kerala (0.59), Pondicherry (0.59), Andhra Pradesh (0.40), Tamil Nadu (0.35) and Karnataka (0.25). The reason for a higher ratio in West Bengal perhaps holds good in the case of Kerala too. Arunachal Pradesh, because of its location, has not even a single old male engaged in this sector. The highest proportion of old males engaged in this sector is in Goa, Daman & Diu (2.52), followed by Lakshadweep (2.43). Then there is a big fall and the union territory of Delhi occupies the third position (1.81), followed by Chandigarh (1.15). All other states and union territories have less than one per cent of their old males employed in this sector.

The sector which covers all the residuary activities has been labelled 'other services'. It includes educational, health, community and personnel services. At times, these services can be said to be equal to trade and commerce as far as manual labour is concerned, but at times it may be otherwise. Zone VII (southern states), has the highest ratio, Kerala being the leader (5.23). Zone III, covering Uttar Pradesh and Madhya Pradesh, has a reasonably lower proportion being 2.39 and 2.19 per cent respectively. The highest ratio was, however, observed in Chandigarh (14.12), followed by Lakshadweep (12.85). The lowest ratio has been observed in the case of Dadra & Nagar Haveli (1.23), preceded by Himachal Pradesh (1.65) and Bihar (1.76). Nagaland (1.87) and Andaman & Nicobar islands (1.88) have almost equal ratios. Thus we see that this residuary category also has a reasonable number of old working males.

different position

The position of urban males is naturally different from that of rural males and the sector of employment which attracts the maximum number of old males is trade and commerce. In almost all the states and union territories, except Manipur and Arunachal Pradesh, both constituents of zone V, this is the sector which attracts the maximum number, because this sector perhaps does not involve much of maneual labour. Zones II seems to be in a better position where all its constituents had significantly higher ratios. Zone V presents a diversified picture and the units having lowest ratios are located in it. Other zones have percentages of such persons varying between 20 and 30.

When one looks at the intra-zone picture, one finds that except zone V, the constituents of all other zones have identical ratios. Delhi had the maximum percentage (40.31) of old male workers in this sector, then comes Haryana (36.96) and Punjab (35.61). In zone III, there is not much difference in the ratios of Uttar Pradesh (28.97) and Madhya Pradesh (25.91). In zone IV, starting from Orissa (23.45), as we go eastward the ratio increases. Bihar has 25.19 per cent of its old male workers employed in this sector and West Bengal has 30.89 per cent. In zone V, we find that while on the one hand Assam occupied the second position in the country, on the other hand Manipur (17.00) had the lowest ratio in the country. So zone V can be categ as heterogeneous. In zone VI, G and Maharashtra have nearly ide ratios—28.87 and 27.26 per cent. lar is the case of southern states, come under zone VII. In almost a states, around 25 per cent of i male workers were employed in sector.

'other services'

The sector which attracts the se highest number of old males in areas is sometimes 'other services', times 'household industry'; in cases cultivation attracts quite a ficant number of old male workers. us first take the case of such states even in towns the majority of it male workers are engaged in cultiva Manipur had the highest perce (38,36). States like Orissa (23.95) Bihar (20.18) too had reasonably proportions. In southern states, ratio of such old workers is never than 15 per cent. Jammu & Kas and Himachal Pradesh had almos same percentage in this sector. we see that even today there are old living in towns who have to depen cultivation. Not only that but we quite a high percentage of old n who have to work as agricult labourers, the highest ratio being Arunachal Pradesh (18.18), followe Bihar (12.62), Kerala (10.31) and An Pradesh (10.26). Though a majorit old males in towns is engaged in t and commerce, we cannot overlook fact that in some of the states and u territories, they have to plough fields and quite a significant number to work on the fields of others to their livelihood.

Another important sector which ploys a reasonably good number of males is household industry. Emp ment of old males in this sector may be taken as a negative index, bec these old people can help their fa members run a household industry number of ways, not necessarily in ing work of an arduous nature. younger members generally attend to more arduous part of the job an old people are there to assist the doing jobs while sitting at home. VI leads in this sector and zone V the other end. Other zones prese almost similar picture. When we at the intra-zone position, we find except zones II, IV and V, others almost the same story to tell in re of all their constituent units. In zo Delhi had the highest percentage (within the zone, followed by P

). Haryana had a lower percen- (14.02) and Chandigarh (12.92) had east.

zone IV, West Bengal had the est ratio within the zone as well as agst all the states and union terri- s in the country. Orissa had the st ratio (7.55) within the zone. In V, the ratio is never higher than er cent. The unit which had the st ratio in the country, Arunachal esh, is in this zone. Gujarat and arashtra, both in zone VI, have gnificantly higher percentage (20.59 18.73 respectively) in this sector. e is not much variation in the per- age of household industry workers outhern states (zone VII). Though male workers living in towns have a onably higher percentage of workers ade and commerce, yet the sectors which required harder manual labour also had significant numbers employed in them. So the position of old male workers living in towns is not much better than that of their counterparts in villages.

The problem in short is that in our country, out of 16.87 million old males who had crossed their sixtieth birthday in 1971, as many as 12.45 million had to work for their livelihood. Of the 12.45 million males, as many as 7.85 million were cultivators and 2.06 million were agricultural labourers. Do we not have an obligation towards the aged? Can we expect an old man to work in the fields or on a construction site for petty wages? No welfare state can allow such a situation to exist. An important point which we should not forget is that so far we have a very small proportion of aged population. This proportion is bound to increase and the problem it poses will become more serious. The population projections given in table 22 of the country statement which was presented by the Indian delegation to the World Population conference held in August 1974 in Bucharest are as follows:

	0-14	15-59	60+
1971	41.2	53.5	5.3
1974	40.5	54.2	5.3
1979	38.1	56.3	5.6
1984	34.6	59.3	6.1
1986	33.0	60.7	6.3

This shows that India has an unusually young population and a small

TABLE IV

Distribution of Rural Aged Male Workers by Industrial Activity, 1971

India/State/Union Territory	Total wks.	Industrial Activity									
		I	II	III	IV	V(a)	V(b)	VI	VII	VIII	IX
2	3	4	5	6	7	8	9	10	11	12	13
INDIA	100.00	69.94	17.92	1.47	0.13	3.19	1.27	0.43	2.39	0.30	2.96
J & K	100.00	85.29	2.51	2.12	0.03	3.80	0.27	0.79	2.09	0.66	2.44
Himachal Pradesh	100.00	85.80	3.45	1.09	0.07	4.04	0.92	0.85	1.76	0.37	1.65
Rajasthan	100.00	82.55	5.50	1.44	0.13	3.49	1.02	0.37	2.79	0.22	2.49
Punjab	100.00	65.15	19.43	0.70	0.01	4.64	1.79	0.80	3.50	0.48	3.44
Chandigarh	100.00	46.14	15.11	0.66	0.00	2.95	9.69	3.45	6.73	1.15	14.12
Haryana	100.00	70.73	15.07	0.68	0.08	4.17	1.36	0.71	3.34	0.30	3.56
Delhi	100.00	58.17	12.91	1.19	0.77	4.37	8.12	1.36	4.92	1.81	6.38
Uttar Pradesh	100.00	77.59	13.78	0.40	0.01	2.84	0.82	0.19	1.78	0.20	0.39
Madhya Pradesh	100.00	76.87	14.10	1.17	0.08	3.16	0.58	0.21	1.53	0.11	2.19
Orissa	100.00	73.66	16.36	1.13	0.09	3.08	0.57	0.15	1.78	0.23	2.95
Bihar	100.00	65.95	26.93	0.37	0.17	2.07	0.64	0.17	1.65	0.29	1.76
West Bengal	100.00	63.93	22.56	2.00	0.26	2.08	1.88	0.30	2.52	0.50	3.97
Meghalya	100.00	83.35	7.26	2.85	0.12	1.01	0.46	0.31	1.33	0.28	3.03
Assam*	100.00	78.91	8.00	4.37	0.07	0.95	0.88	0.28	2.94	0.32	3.28
Arunachal Pradesh	100.00	91.70	1.72	0.47	0.00	0.56	0.03	0.01	0.36	0.00	5.15
Nagaland	100.00	96.11	1.16	0.11	0.02	0.12	0.11	0.25	0.23	0.02	1.87
Manipur	100.00	86.96	3.16	0.65	0.00	1.78	0.66	0.85	1.44	0.24	4.26
Tripura	100.00	73.51	15.65	1.08	0.00	1.52	0.86	0.22	3.25	0.25	3.68
Gujarat	100.00	73.38	14.15	2.06	0.14	3.19	1.03	0.31	2.78	6.26	2.70
Maharashtra	100.00	68.36	21.34	1.19	0.11	3.28	1.10	0.54	1.91	0.19	1.98
Goa Daman & Diu	100.00	53.52	10.78	7.48	1.71	8.47	2.05	2.04	5.79	2.52	5.64
Dadra & Nagar Haveli	100.00	87.53	6.23	0.70	0.00	1.84	0.62	0.18	1.49	0.18	1.23
Andhra Pradesh	100.00	53.85	25.05	3.02	0.29	6.02	1.95	0.85	3.50	0.40	5.07
Karnataka	100.00	68.99	17.09	2.76	0.17	3.26	1.44	0.68	2.27	0.25	3.09
Kerala	100.00	51.51	21.16	5.20	0.44	3.53	4.94	1.31	5.93	0.95	5.23
Tamil Nadu	100.00	60.71	23.04	1.78	0.18	3.33	2.31	0.78	3.17	0.33	4.37
Pondicherry	100.00	35.96	35.79	6.84	0.03	1.55	6.76	1.81	5.80	0.59	4.87
Lakshadweep	100.00	0.00	0.00	0.43	0.00	3.89	1.46	3.12	3.82	2.43	12.85
Andaman & Nicobar Islands	100.00	62.91	5.98	0.16	0.68	5.81	1.11	1.88	2.82	0.77	1.88

*Including union territory of Mizoram

proportion of old people, which is typical of a developing nation. Though our population is far from reaching the phase of ageing, the seeds of the ageing process are already there. Today a substantial number of our aged people have to work in the primary sector, suggesting that they are forced to work and our productive population is not in position to take care of its aged population.

What will be their fate after a decade or two, when their number will be much more? We have to be realistic and concede that we are today not in a position to put through a comprehensive scheme of social security that can provide old age pensions to all those who deserve it. We cannot provide full employment even for the productive population. At the same time, it does not appear proper that the aged among us should be left to fend for themselves or rely completely on their descendants for their needs.

The solution may lie in finding some arrangement which will not, on the one hand, force our aged population to back-breaking manual work and, on the other, provide for reasonably civilised conditions where they can engage in productive work suited to their physical capacity. We have to remove a blot on the fair name of India—that it is sweating its old people till they drop down—and to evolve a pattern which will not undermine the sense of self-esteem of the aged.

Regard for age and experience is an important part of our culture. Our must be made to feel that they are treated as a burden on society having served it for a life-time. may be provided employment ou the traditional areas of cultivation agricultural labour. Rural electrifica will encourage small-scale industries come between unorganised house industry and large-scale factories en ing migration to cities. These sm scale industries can be of a nature w the aged can be profitably emplo The hosiery industry of Punjab is a g example. Food processing, pl goods of daily use, safety matc powerlooms and some areas of the growing industry of electronics may vide an answer.

Table V

Distribution of Urban Aged Male Workers by Industrial Activity, 1971

Zone	India/State/Union Territory	Total wks.	Industrial Activity									
			I	II	III	IV	V(a)	V(b)	VI	VII	VIII	IX
1	2	3	4	5	6	7	8	9	10	11	12	1
	INDIA	100.00	14.27	6.79	1.95	0.42	6.51	15.36	3.34	27.96	5.74	17
I	J & K	100.00	16.65	2.83	3.97	0.15	7.54	12.32	3.88	28.85	8.50	15
	Himachal Pradesh	100.00	16.45	3.30	2.29	0.03	6.13	11.40	5.48	31.41	3.95	19
II	Rajasthan	100.00	20.37	3.65	0.98	0.51	9.13	12.11	4.02	27.04	3.79	18
	Punjab	100.00	12.08	6.41	0.70	0.01	3.53	17.78	2.99	35.61	4.30	16
	Chandigarh	100.00	6.00	2.73	0.64	0.00	0.80	12.92	6.97	30.44	2.95	36
	Haryana	100.00	15.54	5.44	1.00	neg.	3.55	14.02	3.18	36.96	3.53	16
	Delhi	100.00	2.04	0.76	1.42	0.01	3.52	18.23	5.01	40.31	5.35	23
III	Uttar Pradesh	100.00	11.16	4.98	1.19	0.06	8.55	14.19	2.66	28.97	7.48	20
	Madhya Pradesh	100.00	16.97	5.06	2.21	0.66	8.31	15.16	3.07	25.91	4.46	18
IV	Orissa	100.00	23.95	8.08	2.76	0.56	6.52	7.55	2.09	23.45	4.94	20
	Bihar	100.00	20.18	12.62	1.22	3.18	6.45	9.35	2.79	25.19	4.16	14
	West Bngal	100.00	4.98	4.46	1.06	0.15	3.97	22.97	2.51	30.89	6.67	22
V	Meghalaya	100.00	8.06	2.53	2.47	0.00	3.20	10.86	7.00	26.18	6.26	33
	Assam*	100.00	13.95	2.77	2.18	0.15	4.86	11.03	2.56	38.09	5.11	19
	Arunachal Pradesh	100.00	15.58	18.18	2.60	0.00	9.09	1.30	1.30	19.48	0.00	32
	Nagaland	100.00	13.89	1.39	2.43	0.00	3.47	10.76	9.72	22.92	4.86	30
	Manipur	100.00	38.36	4.31	0.34	0.00	9.70	6.88	4.31	17.00	2.78	16
	Tripura	100.00	15.21	6.98	0.67	0.00	2.01	8.48	2.97	31.97	2.46	29
VI	Gujarat	100.00	14.17	4.27	2.06	0.24	4.48	20.59	3.18	28.87	3.32	18
	Maharashtra	100.00	13.60	7.57	2.12	0.30	5.70	18.73	3.22	27.26	6.65	15
	Goa, Daman & Diu	100.00	11.30	6.69	7.37	1.24	8.53	10.86	6.37	26.64	6.17	14
	Dadra & Nagar Haveli					Entirely rural.						
VII	Andhra Pd.	100.00	15.90	10.26	2.27	0.52	6.82	11.58	4.76	25.40	6.30	16
	Karnataka	100.00	20.61	8.68	2.14	0 39	7.65	12.94	4.28	23.37	6.80	13
	Kerala	100.00	18.97	10.31	7.65	0.37	4.09	12.90	2.78	22.48	5.30	15
	Tamil Nadu	100.00	15.80	9.21	2.71	0.06	7.77	14.83	3.78	25.47	6.48	13
	Pondicherry	100.00	11.04	8.83	8.61	0.04	4.83	19.58	4.47	22.22	3.56	16
VIII	Lakshadweep					Entirely rural						
	Andman & Nicobar Islands	100.00	7.19	0.65	6.54	0.00	1.31	10.46	0.73	26.14	0.07	20

*Including union territory of Mizoram.

Industrial Activity : I stands for cultivators; II for agricultural labourers; III for livestock, forestry, fishing, hunting and plantations, orch and allied activities; IV for mining and quarrying; V for manufacturing, processing, servicing and repairs (a) household industry, (b) other than ho hold industry; VI for construction; VII for trade and commerce; VIII for transport, storage and communications; and IX for other services.

nside West Germany today

Jossleyn Hennessy, London

I

THE POLITICAL SCENE

ESTIC POLICIES in West Germany an unexpected turn in January , after the routine retirement of the al Democrat prime minister of one e bigger states, Lower Saxony, the osition Christian Democrats, to ybody's surprise, polled enough votes put in their own candidate, Herr echt. They repeated the feat in a nd round of voting, proving not only at least three members of the Social/ Democrat coalition must have voted the Christian Democrats in the et ballot, but that their grievance was nore than local significance (in the ond round the Social Democrats field- the federal Housing minister, Herr ens, as their condidate, hoping that ig name would sway the doubtfuls). Christian Democrats tried to win Free Democrats (the junior partner the Bonn coalition) for a coalition ernment of a different complexion in wer Saxony but were refused, so will try to run the state with a minority ernment—with the tacit understand- that the Free Democrats will not pose them just for opposition's sake t only when matters of principle are olved.

significant shift

The significance of this shift is of tional importance. In the West erman parliament's upper house, the ndesrat, made up of representatives of states, the Christian Democrats had majority of one, even before the latest ents; but, since this was based rather ecariously on a Christian Democrat inority government in the Saar, its efulness for opposing the Social emocrat/Free Democrat government s limited. The vote in Lower Saxony, wever, has tilted the Bundesrat lance to 26:15 vote in the Christian emocrats' favour, a fact they now in- d to exploit. Since the Bundesrat n not only stall, but block completely, y legislation of major importance that ects the states there is plenty of scope r action. Both government and opposition are sharply aware that only a few months remain until the next federal elections (now fixed for October 3) The Social Democrat chancellor, Herr Helmut Schmidt, has admitted freely that the happenings in Lower Saxony have strengthened the other side, though he refuses to be unduly depressed. But the Christian Democrats' morale has been hugely boosted.

The first target for their new powers has been the treaties with Poland negotiated by the federal government last year, under which West Germany is to provide a lump sum of DM 1,300 million to settle pension claims by Polish Nazi victims once and for all, as well as a low-interest loan of DM 1,000 million in return for Polish permission to allow 120,000 ethnic Germans still resident in Poland to emigrate to West Germany. The Christian Democrats argued that under the terms of the treaty the obligation on the Poles to let these people go is less binding than the West Germans' obligation to pay up, and that in any case there are far more than 120,000 potential resettlers still in Poland. They claim 285,000, so that new arrengements would have to be made for the remainder later. They also feared that the treaties would set a precedent which other eastern European countries might seek to copy at vast cost to West Germany. However, at the last moment Poland was persuaded to strengthen its commitment to letting out further potential resettlers and on March 12 the Bundesrat voted unanimously for accepting the treaties.

II

SLOWLY ON THE UPTURN

West Germany's next upswing has now been confidently heralded for the best part of a year without actually materialising. At the beginning of last year most forecasters agreed that there would be small but positive growth in 1975: in the event the drop in real GNP turned out to be about 3.5 per cent.

Grounds for optimism this year are somewhat more solid, but in February the Economics minister, Herr Hans Friderichs, warned against exaggerated hopes for the next few years.

The government is adamant that higher investment is the key to future prosperity (last year investment in real terms dropped by 6 per cent) and that the only way to achieve this is to improve company profits, which have taken a bad knock. There were clashes about this in the end-February session of the "concerted action" (the periodic meeting of government, employers and unions), with government arguing the case for higher profits while the unions maintained that higher profits provided no guarantee for more investment.

turning point

The economic turning point, forecast for the summer of 1975, did arrive at the predicted time but was preceded by a recession far deeper than expected, so it started from a low level. In the first half of 1975 GNP actually shrank by five per cent on a year earlier; by the second half the year-on-year less was down to 2.2 per cent. Industrial production fell by 8.5 per cent between January and October, though the rate of decline gradually levelled out as the year wore on. The worse setbacks were in steel and chemicals. The only sector to manage any growth at all was the motor vehicle industry, which had hit bottom in 1974, ahead of everyone else.

Over the last two years the government has made fairly massive efforts to stimulate the economy. The Bonn Economics ministry recently worked out that over this period nearly DM 35,000 million have been spent on support measures, of which DM 16,700 million went on four programmes specially designed to overcome the recession. Other observers put the figure even higher. The total, catalogue now looks something like this:

DM 18,000 million in lower taxation in 1975 because of a tax and children's allowance reform. Admittedly this had been planned some years before anyone

ealised that there would be a reces-
ion.

DM 6,700 million in investment premiums (7.5 per cent of the total value of he equipment if ordered before end-une last year). Most of this, however, s not due to be paid out until 1976-79.

DM 10,000 million in special economic programmes during 1974-75 (e.g. on job creation and preservation, special measures for the building industry etc.)

DM 7,000 million in a reduction of special deposits of federal and state governments.

DM 8,000 million in open market operations by the Bundesbank.

DM 8,000 million in cuts in minimum reserve requirements (during June to August, 1975)

DM 15,000 million shortfall in tax revenue last year against estimate of November, 1974, because of less buoyant economic conditions than expected.

downward trend

After a succession of cuts in the discount rate from seven per cent between October, 1974 and September, 1975, the downward trend seems to have come to a halt for the time being. But at the end of February the Bundesbank's President, Herr Karl Klasen, said that the trerd in interest rate was still downwads. Although the bank saw no need for an immediate further cut, it did not exclude such a possibility in the foreseeable future. The finance minister, Herr Hans Apel, stressed that there was agreement between the government and the bank in their assessment of the monetary situation. Some observers had suggested that a discount rate cut to three per cent would have made it easier for the West German authorities to ward off speculative money from abroad (and there by keep the franc in the "snake") but the Bundesbank's Vice-President, Herr Otmar Emminger, said that to achieve that the cut would have had to be much larger.

On December 18, 1975, the Bundesbank annouced its target for the growth of central bank money in 1976. The eight per cent increase envisaged at first sight looks identical to that for 1975, but in fact the new target is lower, because the 1976 figure refers to the *average* increase in that year whereas the eight per cent in 1975 referred to the growth *in the course* of the year. The *average* growth during 1975, by contrast, was about 10 per cent. If the target is to be achieved the growth rate will have to slow from its recent relatively high levels as the year wears on.

The eight per cent target represents a middle way between an over-restrictive monetary policy, which could stifle the upswing before it got under wey, and an excessively generous one which would give a new impetus to inflation. The Bundesbank maintains that the target leaves a margin of no more than four per cent for inflation. Most authorities agree that the bank's declared policy will probably achieve what it has set out to do.

liquidity problems

The government has been under pressure recently, both from the opposition and from its junior coalition partner, the Free Democrats. to provide tax relief to help companies suffering from liquidity problems because of adverse business conditions. At the end of January it formally decided to allow a limited form of loss carryback to give relief particularly to small and medium-sized companies. Under the new proposals companies which have made a loss in 1975 but a profit in 1974 (a situation in which many of them find themselves) will be able to carry back that loss to 1974 and claim tax relief accordingly. The first year for which a loss can be carried back is 1975.

The opposition had originally pressed for a two-year carry back provision, but this was turned down because to re-open tax files that far back would have created administrative problems. The ceiling on losses that can be carried back is DM five million, chosen partly to help small and medium-sized companies most and partly because a larger sum would have meant too large a loss in tax revenue. As the proposals stand, the federal government and the states reckon a reduction of DM 300-400 million. Losses in excess of DM 5 million can still be carried forward for the next five years (under an older set of rules) and offset against any profit obtained during that period. What makes the new proposals so attractive, compared with this older provision, is the prospect of a near-immediate cash injection.

Beyond this concession, though the government now seems determined to halt any more stimulation (the one exception being the emergency programme of DM 300 million to combat youth unemployment agreed on in January). It reckons that the upswing is now definitely on its way and further reflationary measures could only make the
against inflation more difficult later.

III

NO PROBLEMS IN FINANC

One good reason for no further
tionary measures is the huge p
sector deficit. This year's forecast
cit, at DM 68,000 million, will still
roughly the same order as last year's
the government now acknowledges
to run this down too suddenly w
have a disastrous effect on the incip
recovery. So despite a savings prog
me passed in December, aiming for
public spending cuts of DM 6,000 mil
there is no suggestion that the de
will be reduced in a hurry. Concern
been expressed earlier that if the pu
sector pre-empted most of the avail
finance, private industry, as well as
sumers, would find it more difficult
raise money to get the upswing starte
the next year or so. These fears
now receded.

The federal purse is looking healt
than expected, both because spen
in 1975 was DM 5,200 million lo
than first estimates (some say
Finance ministry simply got its fore
wrong) and because tax revenues w
higher and efforts to borrow in the m
ket more successful than predicted.
the end of 1975 the Finance ministry
DM 9,300 million in the kitty, leav
the need for net borrowing this year
DM 30,000 million, not an unmanagea
figure.

One source of worry, however, is
federal fund out of which state pensi
are paid. Pensions are upgraded an
ally on the basis of average earnings
the last three years. It now looks
though the federal government will h
to boost the fund's liquidity by so
thing like DM 5,000 million this y
if these increases are to be implemen
In future, starting next year, the ch
will be between (a) raising contributi
by a substantial margin, (b) modera
the annual increment, or (c) contribu
a great deal more from the public pu

The West Germans reacted calml
unemployment well above the mil
mark during the winter months.
the optimists who predict that the
nomy is about to take off are not sug
ting that this will result in an early
in the jobless. Late last year, the pr
dent of the Federal Labour Office,
Josef Stingl, gloomily forecast that
employment in the winter of 1975-76 c
easily go up to 1.5 mn if the weather
bad enough. When the December fi

e out at only 1.2 mn he sounded a e hopeful note, but in January the l crept back to 1.35 mn and Herr gl acknowledged that the sort of un- loyment rates Germany used to have l recently around 0.7 per cent of the our force — probably belonged to the .

The February unemployment total, ust under 1.35 mn, a marginal reduc- n on the January figure, was seen mildly encouraging sign particularly ce the number of workers on short e dropped by a quarter of a million to ,000 a trend expected to continue over next few months. Vacancies, too, at ,500 at the end of February were htly up on the previous year, though l well down on 1973. The overall employment rate remained at 5.9 per t but in small local pockets in the s prosperous areas of Lower Saxony d northern Bavaria it is above 20 per t.

In a recent survey the Munich-based O economic research institute conclu- d that prospects for industry were at t looking up, Both order books and tput were markedly more buoyant in nuary than in earlier months. Although lf the firms questioned still said that eir capacity for utilisation was too low, had increased markedly since the evious survey in Octocer. After a drop total industrial production of 7.5 per nt last year, the Munich researchers pect an increase of 5 to 6 per cent this ar. Orders in the consumer durable dustries look the most promising, in me cases to the point of causing supply ttlenecks. The car industry in parti- lar has recovered so well that the gene- l situation in the sector recalls the mmer of 1973.

increased production

Capacity utilisation in Junuary was per cent (spring 1973: 98 per cent), d further production increases are anned for the next few months. The pital goods industries are less well aced, with capacity utilisation still the same level as last October, per cent. But even here output is pected to rise slightly over the next few onths. Manufacturers of non-durable nsumer goods on the whole thought eir business outlook was satisfactory.

Last year was unique in West Ger- any's postwar history in that exports ctually fell, both in real and in money rms. At DM 222,000 million they were our per cent down on 1974. In volume rms this indicated a drop of nearly 10 er cent. By contrast, imports increased by three per cent to DM 184,000 million which, since import prices remained almost static, meant a volume increase of the same order. The 1975 trade surplus, at DM 37,000 million was well down on the record DM 51,000 million surplus in 1974 but still up on the 1973 figure of DM 33,000 million. Both in December, 1975 and in January this year exports, year-on-year, were rising again (6 per cent in January), but imports in January increased by as much as 16 per cent. The Germans like to point out that by expanding their imports last year, at a time when almost everyone else was cutting their back, they made a significant contribution towards reflating their trade partners' economies.

Exports to and Imports from West Germany's Ten Biggest Customers

	1974	1975
Exports		
(DM billion, FOB)		
France	27.3	26.0
Netherlands	23.5	22.2
Belgium/Luxembourg	17.6	16.9
Italy	18.7	16.2
USA	17.3	13.1
UK	11.0	10.1
Austria	10.2	9.8
Switzerland	11.6	9.6
Sweden	7.9	8.1
USSR	4.8	6.9
Imports		
(DM thousand of million CIF)	1974	1975
Netherlands	25.2	25.7
France	20.9	22.1
Italy	15.9	17.2
Belgium/Luxemburg	15.9	15.8
USA	14.0	14.2
UK	6.3	6.9
Switzerland	4.9	5.5
Japan	3.5	4.3
Sweden	4.3	4.3
Saudi Arabia	5.3	4.0

As for this year, there is still some uncertainty about exports. The official forecasters and the economic research institutes predict a rise in real terms of 6 to 7 per cent but individual firms in most of the major export industries tend to be more gloomy. A survey by the daily *Frankfurter Allgemeine Zeitung* of six major export sectors which together account for about two-thirds of W. German exports brought a mixed response. The engineering industry (accounting for a fifth of total exports) which suffered a seven per cent drop in volume last year, expects no better than stagnation for 1976. It is hoping for a recovery in orders later in the year, but deliveries would not take place until early 1977.

The car industry, which managed a seven per cent rise in the value of exports last year, is hoping for further improvments this year. Chemicals, which had a very disappointing year in 1975 (21 per cent), is hoping for a slight recovery this year, with big variations by country and by product to remain. The electrical industry is not particularly optimistic for 1976, continuing to rely mainly on large-scale export orders in the energy sector to pull it through. The iron and steel industry had to watch its export revenue drop by DM 500 per ton last year, but tentatively hopes for better times this year. Textiles are looking for some improvement in demand, particularly from European customers, but expect it to be modest.

upswing in prices

West German prices in 1975 rose by an average of six per cent which compares favourably with rates in most other western European countries. But the Germans still feel this excessive, pointing out that after the 1967 recession the recovery started on the basis of an inflation rate of about two per cent, whereas this time it is 5-6 per cent as the upswing gets under way. There have been wide variations in inflation rates between categories last year: the "drink and tobacco" group, for instance, increased by only 2.4 per cent but fuel and electricity went up by 10.5 per cent, The cost of running a motor car rose by only 3.7 per cent, partly thanks to petrol prices actually dropping slightly last year because of slack demand. But in January petrol went up by about two per cent, reflecting the switch to a lower lead content, and the price of heating oil was increased by up to 10 per cent in February. National insurance contributions also went up significantly at the beginning of the year. The most recent year-on-year increases in consumer prices have been: December, 5.3 per cent and Junuary, 5.4 per cent. The government hopes to get the average inflation rate down to 4.5-5 per cent this year.

Sources and acknowledgements: The The foregoing summarises an exclusive 18 page report in the latest *Economic Review of West Germany* issued quartly to subsribers only by the Economist Intelligence Unit, 27 St. Jame's Place, London SW1A: INT, but the EIU is not responsible for the wording or selection or my summary.

Increase in world consumer prices

THE RECENT world-wide experience with excessively high price inflation combined with the worst economic recession in post-World War II history is beginning to occupy researchers seeking understanding of the economic relationships involved. A fuller understanding of the underlying causes could provide guidance for national and international policymaking that could help to avert a recurrence of such economic conditions. One topic of particular concern is the international aspects of inflation. In that regard the question is raised whether, from a global perspective, there is a relationship between international reserves and inflation.

In a recent analysis of the relevant global aggregates, H. Robert Heller, Chief of the Financial Studies Division of the Fund's Research Department, concludes that an increase in international reserves helped to precipitate a world-wide monetary expansion that was an important cause of the global inflation that got under way in the early 1970s. Mr Heller's analysis dealt with the years 1950—74 and encompassed all the member countries of the Fund plus Switzerland. The following article summarizes the main line of argument and the conclusions drawn from the data.

Statistical evidence indicates that a systematic relationship exists between changes in the world-wide aggregate of international reserves and the rate of world-wide inflation, with changes in world money supply serving as the crucial link.

lagged impact

Changes in global international reserves have a significant lagged impact on the aggregate world money supply. In turn changes in the international money supply play a role in determining the rate of international inflation. The average lag between changes in international reserves and world inflation is between two and a half and four and a half years.

Further, the evidence suggests that the sharp increase in international reserves that helped to trigger the world-wide inflation of the early 1970s had an effect on the structure of the recent inflation. The increase in international means of payments in the hands of individual countries led to a world trade boom that resulted in a sharp increase in the prices of internationally traded commodities. In contrast to the post-World War II experience, the international sectors represented an intensifying rather than a mitigating inflationary influence during the early 1970s.

While an increase in the US dollar component of international reserves was the proximate cause of their increase in the early 1970s, there is little evidence that a more excessive monetary expansion in the United States than in other countries was responsible for this. Instead, a decrease in the demand for dollars as an asset by US residents and private foreign entities alike resulted in a conversion of dollars into other currencies and a consequent expansion of the volume of foreign official dollar holdings in the form of international reserves.

important factors

While the study finds that international reserves increases played a significant role in the recent world-wide inflation, it should be recognised that non-monetary factors also played important roles. Nevertheless, the large increases in the world monetary aggregates created the scope for the translation of what might have been sectoral price increases into a world-wide inflationary surge. Had the same real changes taken place within a framework of monetary restraint, the outcome would in all likelihood have been different.

While the volume of international reserves in existence has no direct effect on price levels, the changes in national monetary aggregates that accompany changes in international reserves do have a significant lagged impact on national and international price developments—unless national monetary authorities take appropriate actions to neutralize these induced monetary changes. An alternative is provided by better control over the creation of international liquidity.

The study's basic hypothesis is that there exists a causal link between changes in international reserves and changes in world prices. Changes in global international reserves have a direct and an indirect impact on the world money supply, and these changes in the world money supply in turn influence the world-wide rate of inflation.

An increase in international reserves will have a direct impact on a nation's money supply by expanding the monetary base. Furthermore, an increase in international reserves may have an indirect impact on the money supply monetery authorities feel that the inc in international liquidity has eased reserve constraint, so that more e sionary domestic monetary policies be pursued.

The increases in national money plies prompted by the internationa serve increases will, in turn, ha impact on national inflationary rates channels via which monetary changes translated into price changes are and varied, as economic units re-arr their financial and real asset portfoli response to monetary changes. The result of a monetary expansion ten be an increase in aggregate demar the economy, which is then tran into an increase in the nation's non Gross National Product (GNP). Su conditions play an important role in division of the nominal GNP increase real product and price increases.

higher imports

Another important transmission m anism links the various national ecc mies: aggregate demand increases result in a greater demand for imp which in turn will tend to increase price of importables and spread the mand and price pressures to other c tries. Furthermore, as monetary p becomes more expansionary in one c try, interest rates tend to fall, leading capital outflow. In other nations, capital inflow will result in easier ac to credit, lower interest rates, and economic expansion, thereby accent ing the direct trade effects.

International reserves grew at an a age annual rate of 2.7 per cent du 1950—69. During the following three- period (1970—72), international rese measured in terms of SDRs increased 87 per cent.

It is important to identify the sou of this sharp reserve growth. During years 1970—72 there was a slight decr in the gold component of internati reserves amounting to SDR 3.3 bil and a decrease of SDR 0.3 billion in serve positions in the Fund. Valua adjustments related to exchange changes—mainly the 1971 US dollar valuation—accounted for a decrease SDR 4.4 billion. These relatively small creases were almost exactly offset by se in SDR holdings amounting to .7 billion. This leaves an increase eign exchange holdings of SDR 67 out of a total increase in interna- reserves during 1970-72 of SDR billion. Of this total, SDR 59 was identifiable increases in dollar es, SDR 45.2 billion of which was dollar claims on the United States, SDR 13.8 billion was in Eurodollars, t the major portion of the reserve se can be attributed to an expan- of the dollar component.

e perceived strength of the US dol- duced private foreigners to accumu- large dollar balances during the s. However, as the volume of US d liabilities in foreign hands in- sed, the US gold guarantee and, by ence, the external stability of the r were called into question. Conse- tly, in the early 1970s private dollars ed into other currencies, a move resulted in an increase in global in- ational resrves and then had a sec- ary impact on the world-wide money ply. It was this shift in the private and for US dollars as an asset that ed to create the basis for the current ation. In addition, the Eurodollar ket may have played a role in the ansion of international reserves during early 1970s.

etween the end of 1969 and the end 1971, liquid US liabilities to private eigners decreased from $28.2 billion 15.1 billion. Demand deposit liabili- s by US banks to foreign commercial ks decreased from $16.8 billion to 0 billion, and time deposit liabilities reased from $2.0 billion to $0.3 billion.

liquid liabilities

During the same period the gross size the Eurodollar market continued to w; however, the US dollar compo- t of the entire Eurocurrency market reased from 81.3 per cent of total bilities in December 1969 to 72.4 per t in December 1971. The net dollar sitions of the Eurodollar banks de- eased from $1.43 billion to $0.75 billion er the same time interval, while their t positions in other Eurocurrencies in- eased from $0.06 billion to $1.65 lion.

As private household, banks, and firms ifted their assets from dollars to other rrencies, they forced foreign central nks to purchase these dollars at the reed-upon parity of their own currency. return, these foreign central banks ued their own currency or other cen- l bank liabilities to the depositors of llars and added the dollars to their foreign exchange reserves. This process laid the basis for a multiple expansion of the foreign money supply as the currency or central bank liability expansion increased the amount of high-powered central bank money in existence. The foundation for the familiar multiple expansion of the money supply was thereby created in these foreign countries.

The important point is that in the United States there was no decrease in the money supply, while in other countries the dollar inflow served as the basis for a multiple expansion of the money supply. This contributed to the net expansion of the world money supply.

policy actions

International reservec are merely one component of the monetary base. While changes in international reserves have a direct impact on the monetary base and, by this, on the money supply, other base components may change as well—either offsetting or accentuating the influence of the international reserve component, depending on the policy actions taken by the monetary authorities. The statistical results indicate that changes in international reserves can account for only slightly more than half of the observed variation in the world money stock.

Statistical analysis of quarterly and annual data confirms the existence of a mean lag of approximately one year in the relationship between reserve changes and money changes on a world-wide basis.

There is strong evidence on the national level for the existence of a significant causal relationship between changes in money and changes in prices. Less attention has been paid to the relationship between the world money supply and world prices, although some investigators have recently provided relevant aggregate data. However, these studies are restricted to a limited number of industrial nations and do not provide data on the relationship between an appropriately defined world money supply and the world price level.

Experimentation with quarterly data covering the period including the fourth quarter of 1956 through the fourth quarter of 1974 showed that percentage changes in the world money supply had their largest impact on world consumer price changes six quarters afterward.

It is tempting to add the mean lag of one year established in the relationship between reserves and money and the mean lag of approximately one and a half years in the relationship between money and consumer prices, and to conclude that a lag of approximately two and a half years between reserve changes and world price changes might be expected.

It is also possible to estimate directly the mean lag between percentage changes in reserves and percentage changes in prices. The evidence shows a mean lag of 3½ to 4½ years between percentage changes in reserves and percentage changes in world consumer prices. Given the size of the standard errors, this estimate is not inconsistent with the 2½ year lag.

The sharp increases in international reserves witnessed during the years 1970-72 may also have had an effect on the structure of world prices. Of particular interest is the relationship between prices of traded and non-traded commodities. Lacking an adequate index of non-traded goods prices, the world-wide consumer price index may be used as an indicator of general price developments and the world export and import price indices as indicators of price developments in the traded-goods sector.

Since World War II, prices of internationally traded goods have shown a marked stability and have generally exercised a restraining influence on domestic price developments. Only minor changes in world trade prices occurred between 1950 and 1969. It is one of the hallmarks of the recent world-wide inflation that this historic tendency has been upset.

change in structure

The reason for this change in the structrue of inflation may be found in the role played by international reserves in the excessive monetary expansion of the early 1970s. In virtually all earlier inflationary episodes, an excessive expansion of the domestic component of the monetary base was responsible for the creation of inflationary pressures. In the recent inflationary process the high rate of expansion of the international reserve component of the monetary base played a significant role. This difference had several far-reaching consequences.

For one, international reserves have often played the role of a constraint to economic expansion. However, in the years 1970 to 1972 each of the industrial and more developed countries registered an increase in international reserves, with the exception of the United States and South Africa. Even among the less developed nations only a few experienced reserve losses, with most countries making substantial reserve gains. The industrial untries as a group increased their in- rnational reserves by 92 per cent, and e less develeped countries increased eirs by 106 per cent during the first ree years of the 1970s.

Such substantial reserve gains were not ithout influence on commercial policy. etween 1970 and 1972, out of a total of 11 member countries of the Fund, the umber of countries with any restrictions n current account transactions de- reased from 73 to 58. Other countries ubstantially reduced their import restric- ons. The response by importers was not urprising: imports increased by an aver- ge annual rate of 12 per cent in real terms in the years 1970 to 1972. The plentiful supplies of international reserves fueled this world-wide import boom, but it is clear that this rate of real increase was not sustainable at constant prices. The index of world import prices almost doubled from 100 to 195 in the 1970-74 period, with most of the increase coming—as was to be expected—in the last two years of this period.

A further factor contributing to the inflation in prices of traded goods was that many international prices are quoted in dollars. Given the declining value of the dollar itself, many commodity prices looked very attractive indeed to foreign buyers, and consequently the quan demanded increased.

The inflationary experience of early seventies was unique in that international sector played a leading in the initiation and dissemination of inflationary impetus. This developn was made possible by the lessenin the reserve constraint due to the inte tional liquidity increases experience virtually all countries. If countries to reduce the danger of a potential re of the experience of the early 1970s, must be found to control the prese demand-determined growth of inte tional liquidity.

—IMF Su

Canada : a business review

LAST YEAR at this time, the Canadian economy was clearly in the midst of a recession and the bank's forecast for the year ahead was not very optimistic. It did predicit, however, that an upturn in economic activity would get underway during the second half of the year and this in fact occurred. Real* GNP grew in the second and third quarters and although data on the fourth has not yet been published, it seems clear that there was an expansion in that quarter as well. Overall, however, Canada's real GNP for 1975 as a whole will show little or no gain from 1974.

As 1976 begins, the outlook is considerably more favourable than a year ago. The excessive inventory situation characteristic of early 1975 has now disappeared and housing and consumer spending are expanding at a fairly rapid pace. Most major industrialised nations have also begun to climb out of the depths of the 1974-75 recession, and this is especially true in the case of Canada's two major trading partners, the United States and Japan. Hence 1976 should be a better year for Canadian exports.

matter of concern

Although the rate of inflation remains a matter of great concern to all, some improvement has occurred in the past year and further moderation can be expected as the year proceeds.

Most forecasts of growth in real GNP for 1976 as a whole fall in the five per cent to seven per cent range; the Bank's forecast is for a gain of 6¼ per cent. In assessing the prospects for the Canadian economy in 1976, however, one must be careful in interpreting the numerical forecasts of economic growth. The relatively large size of the predicted 1976 advance should not be taken as an indication that the year will be one of dynamic growth. For one thing, it follows a five-quarter period of virtual stagnation from the first quarter of 1974 to the third quarter of 1975 and we expect the quarterly pattern of growth to decelerate from the last quarter of 1975 through 1976.

modest growth

With economic growth in 1976 not seen as being overly strong, employment growth can be but modest. Last year employment grew by only 1.8 per cent compared with 4.3 per cent and 5.2 per cent in the two previous years, and with the total labour force advancing by 3.7 per cent, the rate of unemployment (unemployment as a percentage of the labour force) rose to an average level of 7.1 per cent from 5.4 per cent in 1974. Some acceleration in the rate of growth in employment seems likely as capacity utilisation rises through 1976. Employment gains in the 2½ to 3 per cent range are expected and, with the labour force increasing at a much slower rate than last year, the prospects are that unemployment should ease but only marginally to somewhat below the seven per cent level.

The unemployment rate in 1975 and as forecast for 1976 is at the highest level since 1961. However, the intervening years have witnessed many social and economic changes which make the rate in the two periods not directly comparable. The liberalization of the Unemployment Insurance Act, the arrival in recent years of substantial numbers of young peopl the job market, the result of the post-v baby boom, and the upreceden number of married women entering labour force are factors which have gi a significant upward bias to the curr unemployment rate. Thus, while unen loyment is certainly a matter of gr concern, it is generally seen as a l severe problem than it was 15 ye ago.

As for inflation, upward price pres in the coming year can be expec from the removal of the various prov cial price freezes, as well as from many large municipal tax increases the offing. Energy prices are certain rise again, although not so sharply as the two preceding years. Finally, large wage increases of 1975 have yet be reflected fully in increased prices the retail level.

demand pressures

Several factors, however, are worki towards price moderation. The project recovery both here in North Ameri and abroad is not expected to be strong that demand pressures prices will be excessive. Following 197 good crop, grain prices have eas and other agricultural prices should n move up as much as they have done recent years. Finally, the wage and pri control measures which came into eff last fall will obviously have some da pening effect on price increases.

However, with consumer prices alrea some four per cent above the average f 1975, our forecast of moderating pri increases—which would result in increas at an annual rate of 5-6 per cent by ye

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*In this Review, the word "real" is used extensively. Readers are remainded that it describes volume changes in economic aggregates, *i.e.* changes stripped of price inflation.

still means a nine per cent average ase for the year as a whole.

derlying any forecast of overall omic activity are expectations conng developments in the various r economic sectors which make up otal.

nsumer spending on goods and ces is by far the largest expenditure r in the economy representing oximately 60 per cent of total nditures. Thus, a one per cent rise in onal consumption expenditure, ming all other sectors are unchanged, slated directly into a six per cent gain NP.

consumption expenditure

1976, real personal consumption nditure is foreseen as rising approxiely 5½ per cent, with spending on sumer durables being the main ngth in the advance. Indeed, sales durables have been growing rapidly e the first quarter of last year. Very ng real gains at annual rates of 19 cent, 12 per cent and 44 per cent were orded in the first three quarters of 5 after disaster hit this sector midway ough 1974. Our forecast actually the growth rate easing off to a six cent annual rate level during the whole 1976. However, partly because of last r's surge, this still puts the average r-over-year volume gain in durables at 5 per cent.

Obviously some easing in the growth e is to be expected following last r's strong gains as the economy began recover. As well, a good deal of 1975 to demand growth appears to have en "borrowed" from 1976 by the temrary reduction (which expired at year 1975) in the Ontario sales tax.

Other sub-sectors of consumer spend- are not expected to register such ge gains as durables, but with the onomy in recovery and employment owing somewhat more rapidly than in 75, it is logical to expect some accelection in the rate of spending. The overall lume gain we foresee in consumer ending of 5½ per cent compares favourly with 3.2 per cent and 4.2 per cent the two previous years, but is a smaller in than occured during the 1971-72 coverry period.

Perhaps the most interesting sector of economy this year, and the one aked in the most uncertainty, is capital vestment. In the past when forecast- this area, a major consideration has ways been the government's survey of vestment intentions for large corporaons. This survey is usually represenive of total investment. Last year, however, the survey indicated growth of about 30 per cent, half of which would be real. Our analysis at the time did not support the generalisation of such a high figure and the conclusion was that a nine per cent real gain was more plausible for capital spending as a whole. However, even this has proved to be overly optimistic. Our current estimate is that the increase in volume terms was only of the order of five per cent.

The most recent survey, covering 300 of Cannada's largest corporations which together account for over 75 per cent of all investment, indicates a buoyant year for capital spending in 1976. An increase of 28 per cent (again half real, half price) is forecast with the mining, and oil and gas industries to register the largest year-over-year advances (56 per cent and 50 per cent respectively). However, as in 1975, we are sceptical that such a high level of increase will apply to the whole investment sector.

rise in investment

In making our forecast, which has investment rising in real terms by only five per cent, the factors which led us to this conclusion were the high level of interest rates, relatively low capacity utilization, the disincentives which are inherent in the anti-inflation programme and, more fundamentally, general business unease about increaring government intervention in the economy.

This year, however, there are enough projects either in the process of implementation or in the advanced planning stage that, even in the light of known cutbacks and stretch-outs, growth of the size outlined seems realistic.

Housing starts bottomed out last March and have since been on a firm upward trend. The preliminary total for 1975, at the 231,000 unit level, is far higher than was generally expected early in 1975. It was then felt that the high level of mortgage rates and house prices would significantly reduce housing demand. However, heavy stimulus in the housing area by both the federal and provincial governments has set off an upsurge which put the annual rate of starts in December at a record high of 313,000 units. Although this is an unsustainably high figure, the housing sector should continue strong and starts in the 250,000 area seem to be a good possibility. This should translate into 16 per cent gain in real spending on housing compared with declines of 12 per cent and three per cent in the two previous years.

In spite of the expected high level of starts conditions in the housing market seem likely to remain tight. Apartment vacancy rates in most large cities are at extremely low levels and housing starts in 1975 and 1974 totalled only, 231,000 and 222,000 units respectively, well below the Economic Council target of 245,000 units for the period 1973-1977.

Inventories are the third area which will be adding significant strength in 1976 contrary to the negative impact they exerted last year. It is, of course, somewhat difficult to pinpoint the timing of an inventory upturn. However, given the large disinvestment in the third quarter of 1975, the pick-up in the retail sales area which has been evident for the past six months and the improved relationship between stocks and sales, a modest inventory build-up is a plausible expectation for 1976. Nevertheless, a massive turnaround is not envisaged, since businessmen appear too cautious for that to take place. In addition, the cost of carrying inventories is prohibitive.

Further substantiation for this view that an inventory turnaround will occur can be obtained from an examination of previous recessionary periods. In every recession since 1950, the change in inventories as a percentage of GNP has hit bottom in the year of recession and then headed up in the next. Our forecast for 1976 simply maintains that pattern.

housing inventories

While housing. inventories and consumer durables are sectors which will be supplying forward thrust to the economy this year, the area showing the smallest year-over-year advance will be government spending on goods and services The federal government has promised to cut the rate of increase in employment in the civil service, to effect significant cost economies and to ensure that the wage increases granted government employees are within the guidelines set forth in the anti-inflation programme. The provinces and municipalities are also expected to cut back on expenditure increases in order to help combat inflation as well as because of their understandable reluctance to raise taxes or increase outstanding debt markedly.

Overall, real government current expenditure is epected to increase 2.8 per cent this year after an estimated four per cent rise in 1975 and an eight per cent advance the previous year. These figures however, do not include government transfer payments which have been advancing at very sharp rates. Transfer payments to persons, for example, have grown at an annual rate in excess of 20 per cent in every quarter of 1974. Clearly, if a serious attempt is to be made to get government expenditures under control and thereby to dampen inflation, it is in the transfer payment area that governments will have to set out more realistic priorities and restrain the runaway growth rate.

Given the improved outlook in our chief export market, the United States (which has in recent years, taken just over 65 per cent of our merchandise exports), a substantial improvement in Canadian trade performance seems likely this year. Last year, exports to the United States rose by less than one per cent, well below the long-run growth trend and far below the 24 per cent increase recorded in 1974. This year, exports of motor vehicles and parts, lumber, minerals and, before the year is out, newsprint should be up substantially from their depressed 1975 levels. The motor vehicle and lumber recoveries are predicated on a strengthening in the US auto and housing markets. As for minerals and newsprint, gains are expected because of the working down of very high inventories, not only in the United States, but also in other countries with whom we trade. Heavy grain sales to Russia will be a further important plus in the trade picture this year.

One weak spot, of course, will be petroleum exports where export quotas this year have been drastically cut. In fact, the value of petroleum exports is expected to decline by a little over $1 billion.

On the import side, we are looking for a small volume increase compared with a four per cent decrease in 1975. This is mainly because of the strengthening foreseen in consumer spending on durable goods.

As for trade in services, seems likely that the deficit will be a good deal larger this year. Although the Olympic Games should create a sizeable inflow of tourist dollars, higher interest charges associated with recent large capital inflows with more than offset that gain.

All in all, Canada suffered, in 1975, its first merchandise trade deficit since 1960. Commodity imports exceeded exports by about $1,000 million. This year our merchandise trade figures should be in the black with a more traditional surplus, which is estimated at about $500 million. This will help reduce the overall current account deficit, that is, balance of trade in goods and services, which was about $5.1 billion last year, to about the $3.9 billion level this year.

A trade deficit this size would normally put heavy downward pressure on the dollar. Currently, however, the Canadian dollar is strong, trading at close to par with the US dollar. This situation is not expected to persist through the year.
Several factors are involved. O
one hand, Canadian productivity is
than US productivity, yet Can
wages are higher in many industries
well, inflation continues to be hig
Canada than in the United States.
the other hand, the Bank of Can
expected to continue to, in effect,
port the dollar by keeping interest
high in this country in order to at
a sufficient capital inflow to offse
current account deficit, although
narrowing of the present wide sp
between the US and Canadian int
rates seems likely. On balance, the cu
hign level of the Canadian dolla
prabably a temporary phenomenon
a sideways drift in the range 97c U
99c US is expected during most of
year.

In summary, consumer spending (p
cularly on durables, housing expendi
inventory investment and export
are expected to be the major stren
in the economy this year. Overall,
GNP should advance in the area o
per cent with the pattern of growth b
relatively flat through the year. P
performance will be somewhat be
than in 1974 and in 1975, but Infla
will still be the major problem confr
ing the country.

Courtesy : **Bank of Mont**

THE INDIAN SMELTING & REFINING CO. LTD.

Regd. Office : Bhandup, BOMBAY 400 078

NON-FERROUS UNIT :
Lal Bahadur Shastri Marg
Bhandup, BOMBAY 400 078
Cable : 'LUCKY' Bhandup
Phone : 584381

FERROUS UNIT :
Pokhran Road
Thana, Maharashtra
Cable : 'MALLEABLE' Thana
Phone : 593851

Telex : ISARC 011-2384

1. **NON-FERROUS UNIT :**
   (i) Non-Ferrous Alloys & Castings
   (ii) Copper/Brass/Bronze/Nickel Silver Sheets, Strips & Coils
2. **FERROUS UNIT :**
   Malleable Iron, Spheroidal Graphite Iron and Special Steel Castings.
   Supplied as per ISS, BSS, ASTM Specifications and Party's specific requirements.

TRADE VINDS

residents' tment

UNION government has d to introduce "a ntially more liberal e" for encouraging non- it Indians desirous of up industrial units in y sectors in the country. incing this in Lok Sabha, er of state for Industry vil Supplies, B.P. Maurya ed that the exempt- rom wealth tax provided Finance Bill, 1976, for esident investment would vailable for investment the new scheme.

Features

e following are the main res of the new policy, (a) resident investment will be nitted in any industry listed he ministry for industrial lopment in February 1973. hese include; metallurgical stries, boilers and steam eration plants, prime vers (other than electrical erators), electrical equip- t, industrial machinery, hine tools, agricultural hinery, earth moving hinery, Scientific instru- ts, nitrogenous and shatic fertilisers, chemicals, amies and cement plants. Investment will be allowed ny other industry, provided investor undertakes to ort 60 per cent of the out- or in the case of industries erved for small-scale sector, per cent of the output. Equity investment will be owed up to 74 per cent hout any minimum limits. Import of capital equip- nt will be allowed without igenous clearance up to limit of foreign exchange ought in by the non-resident lian. (e) Remittances of profits in the industry set up under the scheme will be allowed freely. (f) Repatriation of capital will also be allowed after the unit had gone into commercial production, and subject to adherence to export obligation, where applicable, and subject to normal scrutiny and rules prescribed by the government. (g) Liberalised facilities for import of permissible raw materials and components will also be available in terms of the import policy in force.

According to the statement these facilities will be applicable only to new investments including expansion and diversification of existing industrial undertakings. It will not, however, be extended to purchase of shares in existing companies in respect of existing activities. The statement makes it clear that applicants desiring to avail themselves of these facilities will have to abide by the procedures prescribed by the Reserve Bank of India. In the Finance Bill, it has been proposed to exempt from the provisions of wealth tax, the value of all asserts, brought into India by persons of Indian origin in cases where such persons returned to India with the intention of permanently residing in India. The proposed exemption will be made available for seven assessment years commencing with the assessement year following the date on which such persons returned to India, the statement clarified.

Panel on Banking

The Reserve Bank has announced the appointment of a working group to examine the operational efficiency and profitability of commercial banks. The appointment reflects its concern over the need for cost reduction by banks. The working group, comprising eight senior Reserve Bank executives, headed by Mr. J. C. Luther, executive director is expected to submit its report before the end of September 1976. Its member include Mr. V. V. Divatia, statistical adviser and Mr. A. Raman, adviser credit planning. The terms of reference of the group include the establishment of "criteria for evaluation of individual banks with reference, inter alia, to the fulfilment to socio-economic objectives of national importance" and the "Determination of the basis for assessment of cost of various banking service".

Imported Oil for Vanaspati

The incorporation of imported oil at a minimum level of 10 per cent in the manufacture of vanaspati has been made compulsory with effect from April 1. This was announced by the ministry of Agriculture and Irrigation recently. A press note issued by the ministry stated that vanaspati production in the country has picked up during recent months and is averaging about 50,000 tonnes per month. For production at this rate nearly 630,000 tonnes of oils are required during the year.

Indo-Soviet Trade

A Soviet trade delegation led by Mr. I. T. Grishin, Deputy minister of Foreign Trade, arrived in New Delhi to discuss the long-term Trade Agreement with India. Dr. P.C. Alexander, the union Foreign Trade Secretary led the Indian delegation. The five-year Trade Agreement between India and the USSR for the period 1976-80 is likely to be concluded shortly. Mr. N. S. Patolicheve, Soviet minister of Foreign Trade, has also come to hold talks with the ministerial level Indian delegation led by Prof. D. P. Chattopadhyaya, union Commerce minister.

At the negotiations, the two sides discussed the modalities of the payment of wheat loan of two million tons which, it had already been agreed, would be repaid through export of commodities. The provision regarding import and export of certain other products were also discussed before finalisation of the Trade Plan. Meanwhile, discussions have been held in Moscow on the possibilities of long-term Economic Cooperation in several fields, some of which are expected to give further boost to Indo-Soviet trade.

The earlier long-term Trade Agreement between the two countries for 1971-75 was concluded in December 1970 when the Soviet minister of Foreign Trade visited India. Since then there has been remarkable growth in the trade between the two countries and the cooperation between the two countries has been broadened in the fields of economic, industrial and scientific development.

UNDP Assistance

UNDP will assist this country with expertise, equipment and training for personnel in oil exploration and developmnet to the tune of $1.8 million. Of this amount $679,550 will be utilised for recruiting international experts, to draw up a plan for the further development of the Bombay High, and training ONGC personnel in offshore oil development. The balance will be spent at the Indian Institute of Petroleum, Dehra Dun, where indigenous test techniques will be developed to replace imported ones and more viable processed evolved. The setting up of performance evaluation facilities at the Institute will result in a foreign exchange saving of $2 million a year. Gains in industrial productivity and reduction in down-time with a better application of petroleum products will also be achieved. Rapid development of oil production from the Bombay

igh is a matter o urgent
iority in the government's
l development programme.
f the UNDP grant of $1.8
illion, $679,550 will be
ilised for recruiting inter-
tional experts for drawing
o a plant of further develop-
ent of Bombay High Oil field
nd for training the personnel
f the Oil and Natural Gas
ommission (ONGC) in
he specialised aspects of
ffshore oil developmet.

ute and its Substitutes

According to a recent FAO
urvey the jute industry's com-
etitive position vis-a-vis
ynthetics is, likely to be more
avourable in 1976 than it has
een in 1975. Although the
emand for jute and jute goods
s still weak as a result of the
nadequate recovery on the
conomies of the developed
ountries a chance for jute
o stem the deterioration in its
narket position arises from
he recent increases in prices of
olypropylene, polymer and the
ossibility of a further price
rise in the current year. World prices of jute manufacturers declined in 1976 under pressure of a sharp fall in demand. Prices of all constructions in the US were 20 per cent lower at the end of 1975 compared with the levels prevailing early in that year. Delivered prices of jute, secondary carpet backing were some 1.5 cents sq. yd. less than polypropylene. In the case of synthetics, despite rising polymer prices and continuing inflationary pressures carpet backing prices in the US remained virtually stable and prices of packaging cloth were raised only slightly.

IDPL Output

The country is poised for a major breakthrough in the production of antibiotics. The output is expected to increase phenomenally during the next two to three years from 300 to 600 tonnes, per annum. With such a massive increase in production, the government would be able to do away with the import of bulk drugs. At a press conference the managing director of the Indian Drugs and Pharmaceaticals, Dr. L.K. Behal, said the government had decided to stop import of tetracycline from the current financial year. Last year, STC imported 50 tonnes valued at Rs 1.75 crores. But in the current year the production would be enough to meet the entire demand.

Dr Behal unfolded the company's plan for the current year, to go up to Rs 80 crores from Rs 61 crores. As a result of higher levels of production the IDPL which has entered the export market expects to do much better. Already, export orders from a number of South-East Asian countries, notably Singapore, Malaysia and the Philippines, have been received and drugs worth Rs 2 lakhs have been shipped. The IDPL which is now a major supplier of bulk drugs is expected to enter the field of formulations in a big way in the next two years when its plants at Gurgaon and Betiah in Bihar go into production.

Automobile Spares Exports

The automobile ancillary industry is striving hard to improve exports, though the outlook in the home market is rather gloomy. The industry expects to achieve an export target of Rs 26 crores this year against Rs 20.8 crores in 1974-75 and Rs 7 crores in 1970-71. By 1978-79, it is expecting to double its target to Rs 50 crores of exports out of a total production of Rs 500 crores. Addressing a press conference, Mr M.K. Jhawar, president of the All-India Automobile Ancillary Industries Association stated that exports were becoming increasing competitive due to high labour costs in America and Europe, where wages were rising rapidly. Significant export markets for spare parts had been established in the countries of South-East Asia and West Asia. Large orders had also been secured from Australia this year, where business could develop to the tune of rupees two to three crores. The ancillary industry could also penetrate the market for original equipment (OE.) in Europe if proper warhhousing facilities were established, he said. Germany had shown a keen interest in OE imports. Delegations from Australia and Hungary had also evinced interest in OE. But the industry could not be sustained on exports alone, Mr Jhawar said. A strong home base was essential. The home market would only be revived if the automobile and other transport industries were revived.

Heavy Engineering Corporation

The Heavy Engineering Corporation described as "the mother machine-building industry", is likely to make a profit for the first time. The profit during 1975-76 is expected to be Rs 25 lakhs. The production up to March 31 last was worth Rs 80.20 crores. Orders for steel plant equipment, to which HEC was mainly geared, were inadequate. So, it had become necessary for the corporation at Ranchi to seek workload in other possible areas. HEC was thinking of diversifying its activities into other areas apart from steel. The proposals of diversification included expansion in the field of mining and other heavy engineering requirements. Last February, HEC received an export order worth Rs 3.75 crores for electrolysers for an aluminium plant for a Soviet-assisted project in Yugoslavia.

Ashok Leyland for Ceylon

Ashok Leyland have bagged yet another export order—this time from our neighbouring country Sri Lanka, for 100 goods vehicles for the ministry of Food and Commissioner of Co-operative. Hitherto Ceylon Transport Board has been the largest buyer of Ashok Vehicles—they have a fleet of over 1000 Comet/Viking buses —this order is a significant penetration to another major government department and opens up new avenues of
export. The vehicles supp
will be latest model with
digenously made parallel fr
es, recirculating ball
steering for ease of operat
and Alfin Pistons which p
extra life into the engine.

BHEL

The Bharat Heavy Elec
cals Ltd., (BHEL) is at pres
exploring the possibilities
technical collaboration
manufacturing 500 mw.
indigenously for the propo
thermal stations, Energy mi
ter K.C. Pant told the
Sabha recently. The minis
said the present thinking

**The Calcutta Electric
Supply Corporation
Limited**

(Incorporated in England)

NOTICE

Notice is hereby given th
the Board of Directors of th
Company at a meeting held
10th April, 1976, has declar
payment of a Final Divide
on the Company's Preferen
Stock for the year ended 3
March, 1976, at the rate
3 per cent gross. Payment w
be made on 22nd May, 19
after deduction of appropria
Indian Income Tax to tho
Stockholders whose names a
registered in the Company
Stock Register on 3rd Ma
1976.

Applications for transfe
received in this office up
3rd May, 1976, will, if othe
wise satisfactory, be register
at that date for the purpose
participation in the abo
Dividend. The Registratic
of Transfers of Preferen
Stock in the Calcutta Regist
will remain suspended and t
Register of Preference Stoc
holders in Calcutta will rema
closed during the period fro
4th May to 8th May, 197
both days inclusive.

By Order of the Boa
(S. K. Niyogi)
Secretary

Victoria House,
Calcutta 700 001.
10th April, 1976.

bilise first at the 210mw nd familiarise with their tenance before going on e next stage of 500 mw.

vdiv Fair

he government has decid- o participate in the Plov- (Bulgaria) International r scheduled to be held ing September 3 to 10, this r. In the past when India ticipated at this Fair, busi- s of considerable value was otiated and finalised. Par- pation during 1976 will also business oriented. Bulgaria s been enjoying a high rate industrial growth during the t few years. The expansion India's exports to Bulgaria envisaged in the bilateral ade and Payments Agree- ent between the two coun- ies. During 1974-75, India's ports to Bulgaria amounted Rs 17.1 crores. The major ems of exports were engineer- g goods, jute manufactures, ather and leather manufac- ures, oil cakes, iron ore, roundnut, manganese ore, pices, tea, coffee, mica, cot- on manufactures, chemicals nd allied products, rubber anufactures and handicrafts. he turn-over of trade between he two countries is expected o be higher during 1976.

opper Production n 1975-76

The production of blister opper during 1975-76 was 3,888 tonnes as against 15,801 onnes in the previous year re- ording an increase of 51 per ent. The target for the year as 23,000 tonnes. The wire ar production during the ame period was 12,765 tonnes s against 8,530 tonnes in 1974-75 showing an increase f 50 per cent. The produc- ion of rolled products re- orded an increase of 18 per ent during 1975-76 with 1950 onnes as against 1640 tonnes n the previous year. The sulphuric acid production was 25,960 tonnes as against 2,581 onnes in the previous year. The production of kyantite was 30,340 tonnes as against 29,844 tonnes in 1974-75.

The monthly production during March 1976 also recorded a sizeable improvement over the corresponding month last year and also in comparison to figures in February 1976. The production of blister copper in March 1976 was 3,320 tonnes, a record production figure, as against 3,076 tonnes in February 1976 and 3,248 tonnes in March 1975. The production of wire bar during the same month was 1,126 tonnes as against 976 tonnes in February this year and 850 tonnes in March last year. The Rolled Products were 215 tonnes in March 1976 as against 193 tonnes in February 1976 and 4 tonnes in March 1975. Kyanite production in March 1976 was 2,443 tonnes as against 2 511 tonnes in March 1975. The production of Sulphuric Acid during the same month was 4,231 tonnes as against 1,147 tonnes in the corresponding month last year.

Hindustan Zinc

During the year 1975-76, Hindustan Zinc Limited produced 40,843 tonnes of zinc concentrates against the target of 36,600 tonnes. The production was 111.5 per cent of the target with 104 per cent capacity utilisation of the Plant. The production of zinc concentrates during 1974-75 was 31,313 tonnes against the target of 35,000 tonnes. In relation to the production in 1974-75 the production during 1975-76 was 130.6 per cent. The production of lead concentrates during 1975-76 was 14,469 tonnes against the target of 12,200 tonnes and was 118.8 per cent of the capacity utilisation. The production was 125.2 per cent of the production of 11,548 tonnes in 1974-75.

The output of zinc cathodes during 1975-76, was 17,533 tonnes against the target of 16,000 tonnes and the production of zinc ingots was 16,031 tonnes against the target of 14,750 tonnes, and 13,952 tonnes production in the previous year. The production of lead during 1975-76 was 5,155 tonnes against the target of 6,000 tonnes and the production of 4,109 tonnes in 1974-75. The utilisation capacity for lead production was 128.9 per cent.

Since the declaration of emergency in June 1975, the production of zinc had been stepped up considerably. The production statistics for this period in regard to the increase in production indicate that the production of zinc during July 1975 and February 1976 (eight months period of emergency) increased by 4,633 tonnes over the previous eight corresponding months i.e., October 1974 to June 1975. This works out to an increase of 32 per cent.

Offtake of Rock Phosphate

Rajasthan State Mines and Minerals Limited plans to double the offtake of rock-phosphate from its Jhamar Kotra mines during 1976-77 to meet the increased demand of the fertiliser and phosphoric acid industries. Against supplies of 260,000 tonnes of rock phosphate in 1975-76, it is proposed to increase the sale to five lakh tonnes in the current year. Mr I.C. Jhingran, Mannging Director of the Company, a Rajasthan government undertaking, stated recently that the total requirement of rock phosphate in the current year has been estimtated at 1.2 million tonnes against an estimated consumption of 770,000 last year. While in 1975-76 the Jhamar Kotra mines met about 34 per cent of the total requirement, this year their contribution would go up to nearly 40 per cent.

The Agriculture ministry has envisaged a considerable increase in the consumption of phosphatic fertilisers. Against a consumption of 490,000 tonnes of phosphatic nutrient last year, the consumption this year is expected to rise to nearly 550,000 tonnes. The phosporic acid manufacturers, who consume about 75 per cent of the total rock phosphate, have also started using Jhamar Kotra rock phosphate in increasing proportions. The Trombay unit of the Fertiliser Corporation of India has completely changed over to the indigenous rock phosphate.

Hindustan Copper Limit Khetri, has used this rock su cessfully and is going to emer as a big buyer of the material the current year.

Crude Carrier

With the acquisition of t second large crude carri of 2,73,000 DWT (1,40,0 GRT) from Yugoslavi Indian shipping tonnage sh up to 4.674 million GR on February 29. The VLC christianed "M.T. Koyali has been acquired by the shi ping Corporation of India. Th country has a total of 33 ships of which 259 are engage in the overseas trade, and th rest in coastal shipping. Ther has been an overall increas in traffic handled by majo ports during the month o January and February as com pared with the figures for th preceding months. The Tota traffic handled during Januar was 6.18 million tonnes and i February, 6.17 million tonne compared to 5.64 million ton nes handled in December

Indian Velvet Abroad

Export growth of velve indicates growing popularit in international markets. I 1974-75, the foreign exchang earning was Rs 1.94 crore In fact, during 1973-74 th exports were as high as Rs 2.7 crores. The exports ros to this level from Rs 1.9 cro res in 1972-73, Rs 1.02 crore in 1971-72 and Rs 65 lakhs i 1970-71. Over 40 countrie imported Indian velvet durin 1974-75. USA constitute the principal consumer havin imported worth Rs 46.2 lakh Yugoslavia closely followe having purchase at Rs 36 lakhs.

Names in the News

The Karnataka Universit conferred on **Mr Shantilal** **Somaiya**, Leading Industriali of Bombay, the Honora Degree of D.Sc. (Doctor Science). A special convoc tion was held at Dharwar honour Somaiya, for distinguished work in the fie of Trade, Industry and Ag culture and for providi leadership in Management.

COMPANY AFFAIRS

Industrial Cables

INDUSTRIAL CABLES (India) Ltd has reported further impressive progress during the year ended October 31, 1975. The turnover recorded a spectacular rise to Rs 9.80 crores and it outstripped the previous year's encouraging performance by as much as Rs 3.18 crores or by 48 per cent. The net profit, before taxation, too more than trebled to Rs 82.81 lakhs from Rs 25.06 lakhs in 1973-74. The directors have recommended a dividend of 12 per cent on equity shares as well as dividend on the first and the second issue of preference shares. The proposed equity dividend will absorb Rs 5.65 lakhs.

But for the unsatisfactory working of the steel wire unit due to severe power shortage and initial teething troubles, the company could have achieved still better results. The company has made arrangements for the installation of a diesel generating set and of balancing equipments at the steel wire unit to overcome the deficiencies.

Uptrend in Exports

The company continued to maintain its uptrend in exports during the year, its exports more than doubling to Rs 3.28 lakhs from Rs 1.62 lakhs in 1974. The commendable performance in exports has enabled the company to bag a certificate of merits from Engineering Export Promotion Council. Moreover, it is encouraging to note that the company has bagged another award recently from the Cables and Conductors Manufacturers Association.

The company is going ahead full stream with its expansion and diversification programmes. It has already obtained an industrial licence for the manufacture of railway signalling and control cables. The details of this project are being worked out. The company is also making satisfactory progress in the implementation of the project for the manufacture of grooved copper contact wires used by the railways.

Central India Spinning

Central India Spinning, (Weaving) and Manufacturing Company Ltd has incurred a loss of Rs 23.09 lakhs, after providing for depreciation during the year December 31, 1975. After adjusting the the balance of Rs 18.13 lakhs in the profit and loss account of the previous year, and after transferring the balance of Rs 6·65 lakhs from the general reserve account, the net amount of loss carried forward on December 31, 1975 was Rs 110.33 lakhs. The main factors responsible for the deterioration were the continuous and drastic power cuts during the year disturbed labour relations arising out out of the lay-off of workers on account of the power cut, payment of compulsory lay-off compensation, sation, depression in the cotton textile market particularly for the types of cloth manufactured by the company, increased borrowings due to unsatisfactory operating conditions and the continuance of the government's controlled cloth scheme which required substantial payments to be made for the purchase of quotas, thereby increasing losses for the year

With a view to mitigating the difficulties arising out of the frequent power cuts, it was decided to instal diesel generating sets, which would meet about 14 per cent of the normal requirements of power. These sets were installed and put into operation towards the end of the financial year under review.

Considerable progress was also made during the year in the implementation of the paper project which is taken up as a measure of diversification of the company's activities. Arising out of the marginal increase the capacity in the capacity of the paper project, the total estimated cost has increased from Rs 70 lakhs to Rs 90 lakhs and steps are being taken to meet the additional requirements of funds by means of a private issue of a debentures.

Gwalior Rayon

The Gwalior Rayon Silk Mfg. (Wvg) Co. Ltd. is happy to announce that it has successfully met the acid test usually set for reputed international suppliers—guarantees in respect of standard and quality of production as consumption of raw materials —for the plant, machinery and technical know-how they provide for turn-key projects. Messrs. Sejin Rayon Co Ltd of Seoul, Republic of Korea, has telexed Gwalior Rayon, after a week-long performance test from March 22, that it is fully satisfied with the turnout as well as input consumption of the 30-tonne-a-day staple fibre plant which Gwalior Rayon has supplied to it together with ancillary equipment and technical know-how.

These technical guarantees formed part of the $7 million contract which Gwalior Rayon secured in the face of stiff global competition from Messrs. Sejin Royon in July 1974 and produced the breakthrough for India in the export of specialised chemical engineering and technology for the production of rayon staple fibre. Gwalior Ra
fulfilled its contractual obl
tions inrespect of shipn
of machinery and equipn
within the stipulated time
the plant was erected
months later under di
supervision by its own tec
cians. The plant commen
trial runs some two mor
ago.

Gwalior Rayon, which
made the country self-s
cient in plant and machin
for the manufacture of ra
filament, staple fibre and p
had earlier commissioned
similar plant with a proc
tion capacity of 20 tonnes
staple fibre per day for So
India Viscose Ltd. Gwa
Rayon is now shipping sta
fibre machinery and equ
ment for its joint venture
Bangkok.

Philips India

In 1930 Philips India st
ed its activities as small s
organisation with just 75 p
ple and modest turnover
Rs 6 lakhs. Over the years
has grown into a gigantic
dynamic organisation with
factories, offices and wa
houses in various parts of
country. In these 45 ye
the number of employees
gone up to over 7700 and
turnover to the fantastic fig
of over Rs 60 crores. It
marketing its products or
national scale through a r
work of some 4000 deale
The company is also assoc
ed with over 560 ancill
suppliers, most of wh
are in the small and medi
scale sectors. Three of Phi
India's twelve research a
development laboratories
devoted primarily to help
small scale units engaged
the manufacture of electro
equipment.

From the very beginn
Philips India made the b
use of opportunities availa
to participate in the ma
stream of the economy. It
installed component manuf
turing facilities both in
lighting and electronics are
These facilities not only se
Philip India's own requi
ments but also help meet
growing requirements of
industry as a whole. The co

hus has been instrumental great extent in assisting evelopment of the light- n electronics industries country. The full-fledg- nanufacture of Philips' ssional electronic equip- began with a new fac- at Bombay in 1960. The ommunication factory established at Calcutta in . These developments lerated the pace of import titution as well as exports.

he company's earnings exports have increased diiy over the years, keep- stride with its expansion, gration and diversification. company became a net eign exchang earner in 1974 lf when its sales overseas of products and components ched the all-time figure of 3.4 crores. Its products exported to over 30 coun- s, from Australia to Cze- slovakia, Kuwait to Argen- a and Canada to Nigeria. hat is more the company already submitted 14 pro- ts to the government, out which eight are 100 per cent port-oriented, two are 90 cent and the rest are bet- en 40 and 60 per cent. hen these projects are at ll production capacity Phi- s India's export earnings ll be around Rs 10 crores.

port Substitution

Over the years Philips India s set the pace for import bstitution and innovation in e design and technology of aterials, components and oducts. The vital force be- nd the company's efforts in ese directions is provided by s twelve research and deve- pment laboratories with a pital investment of about s 1.5 crores, an annual bud- t of over rupees one crore d a staff of approximately 0, of whom some 370 are ained engineers and scien- sts. A major import substitu- n achievement is that the im- rt content of Philip India's roducts is now only 4.1 per nt of the average cost of roduction. Today the com- ny's research and develop- ent resources also provide the major support to its export programme.

Ashok Leyland

In spite of the economic problems in general and particularly the severe power cuts experienced in Tamil Nadu, Ashok Leyland had yet another year of record performance. During the year ended September 30, 1975, the company sold as many as 7765 vehicles. Sales of engines and spare parts were also at record levels during 1974-75. Despite the impressive increase in sales, due to increased costs in all areas, the record profit before tax represented only 10.3 per cent of sales value. The directors have recommended a dividend of 75 paise per equity share (15 per cent) for the year out of which a dividend of 60 paise per equity share will be paid immediately while the balance will be paid in two equal instalments on deferred basis with eight per cent interest per annum. It is gratifying to note that this is the first time a dividend of 15 per cent has been declared. Besides a bonus issue in the ratio of one for five has been recommended, subject, of course, to the consent of the appropriate authorities. The bonus issue, again, is for the first time in history of the company. The resultant increase in the issued and paid-up capital of the company would more realistically approximate to the capital employed in the business.

Expansion Programme

Every effort is being made to complete the expansion programme as quickly as possible. During the current year financing arrangements for the expansion will be negotiated and finallsed. Steps have also been taken to step up the production of its main model the Comet/Viking once again—this time with a further increase of eight per cent—from April 1, 1976.

An all-out effort was also made by the company to capture markets for its products overseas. Consequently export earnings increased tenfold from Rs 55 lakhs in the previous year to Rs 557 lakhs. New export markets are being continuously explored and every effort is being made to improve performance on the export front.

The year under review was an year of commendable achievements for the Research and Development Department. In addition to developing prototypes and special models to suit particular export markets, the company has introduced into the home market a new vehicle, the Ashok Viking hitherto sold only in overseas markets. The vehicle has a greater passenger carrying capacity with reduced fuel cost. These were highlighted by Mr S. Ranganathan, the Chairman of Ashok Leyland Ltd., while addressing the annual general meeting of the company held recently in Madras.

The chairman also expressed concern over the fall in demand for vehicles particularly those which are petrol driven. There is no doubt, recession in the passenger car industry as is evident from the fact that there is drop in sales by over 40 per cent in 1975 as compared to 1973. The passenger car industry, as such, is sick and it cannot become viable, according to the chairman, without the active assistance

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E. MEDITERRANEAN PORTS.
INDIA—POLAND AND INDIAN COAST

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"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE ST., CALCUTTA-1.

om the government. As far
s the commercial vehicle is
oncerned, the demand is
tagnating around 40,000 vehi-
les, which by all standards, is
meagre one. The chairman
herefore made a strong plea
o the government to ensure
he growth of this industry
commensurate with the plan-
ned economic development of
the country.

Gujarat State Fertilizers

The site for Rs 225-crore new fertilizer project sponsored by Gujarat State Fertilizers Company has been selected. The new prestigious project will be located at a distance of six kilometres north of Broach near Chavaj village on a plot out of the 1,000 acres area earmarked for acquisition by the state government. A separate company will be floated jointly by GSFC and the state government and the name of this new company will be Gujarat Narmada Valley Fertilizer Company Limited. The new company will have a board of 12 directors out of which two each will be nominated by GSFC and state government and eight directors will represent the interest of financial institutions and farmers. The project will be completed by 1979-80, and when commissioned, it will save the country foreign exchange worth Rs 120 crores every year.

German Remedies

German Remedies Limited proposes to issue bonus shares in the ratio of one share for every two shares held by capitalising Rs 42.50 lakhs from reserves. Besides the directors of the company have recommended a higher equity dividend of Rs 1.20 per share as against a rupee per share declared in the previous year. The company has reported excellent working results during the year with sales spurting from Rs 6.52 crores to Rs 8.11 crores and gross profit leaping to Rs 106.70 lakhs from Rs 66.65 lakhs in 1974. Out of the gross profit, the directors have allocated a sum of Rs 11.58 lakhs to depreciation reserve as against Rs 11.41 lakhs in the earlier year while no allocation has been made for development rebate reserve as against Rs 2.11 lakhs provided previously. Taxation absorbed Rs 60.80 lakhs as against Rs 29.50 lakhs in the previous year. The net profit after these allocations was still appreciably higher at Rs 34.32 lakhs as compared to Rs 23.63 lakhs in 1974. A sum of Rs 34.32 lakhs was transferred to general reserve as against Rs 23.63 lakhs a year ago. The proposed dividend will absorb Rs 10.20 lakhs and it will be paid out of the general reserve.

Shree Ram Mills

Shree Ram Mills has suffered a severe set back in its working during 1975. Although sales have gone up from Rs 13.10 crores to Rs 14.59 crores the working of the company during the year has resulted in a loss of Rs 91.42 lakhs as against a gross profit of Rs 32.44 lakhs in 1974. After adjustments a debit balance of Rs 59.33 lakhs has been carried forward.

The operations in the textile division during the first half of 1975 entailed a heavy loss due to indifferent market conditions and severe power cuts. The loss in the second half of the year was comparatively lane. The increased controlled cloth obligations, however, contributed to the unsatisfactory working results. In the engineering division the foundry turned the corner for the first time in many years and shaved substantial profits. The machine tool accessories division continued to languish due to recessionary trends in the engineering industry.

News and Notes

Cement production in the north-eastern region will get a further fillip with the commissioning of the limestone crushing plant of a capacity of 200 tonnes per hour for the cement works of **Cement Corporation of India** at Bokajan in Assam. The plant is capable of crushing the run-of-mine limestone from 750 mm to below 25 mm size. The plant is the first of its kind in the north-eastern region and has been implemented by **Engineering Projects (India) Ltd** (**EPI**). a leading prime contracting company in the public sector. The main feature of the plant is the sophisticated equipment installed by EPI. All the mechanical equipment is electrically interlocked and is operated from a centralised control station. EPI has successfully completed six projects including two overseas assignments. The company has in hand 42 projects of the total value of about Rs 1,600 million including 12 export orders valued at about Rs 400 million.

The **Association of Indian Dry Cell Manufacturers**, which includes five newly-established manufacturers producing metal jacket batteries, has urged the government to provide further relief in excise duty to them. These Companies include Toshiba Anand, Punjab Anand, Lakhanpal National, Indo National and Madhya Pradesh Industries Ltd. (J.K.).
Each of these units are co
paratively small with a ca
city of 60 million cells
year.

It is due solely to the effo
of these new manufactur
that the latest technologi
advance in the manufact
of dry cells has been broug
to India to produce me
jacketed dry cells which
far superior to the paper cl
or acetate laminated pap
clad batteries in terms
appreciably higher perf
mance life, high shelf life,
better leak-proofness and co
sistency in service. The me
clad batteries also give ad
tional protection to the equi
ment in which they are use
The metal jacket is not mere
a container but is an integ
part of the latest technolog
Although the cost of the met
jacket batteries is marginal
higher initially, they a
cheaper to the consumer b
cause of higher life and bett
performance. In fact, met
jacket batteries all over t
world, including the develo
ing countries, have becon
and are fast becoming a con
mon man's cell.

The new units suffer fro
higher investment costs
compared to the old ones an
they were suffering becau
of high incidence of exci
duty due to its being a
valorem. They also had t
face severe competition fro
old units including a mult
national corporation havin
a production capacity of a
most 8 to 9 times. The recen
marginal reduction of exci
duty by 5 per cent ad valore
has not even equalised th
incidence of excise duty o
the finished dry cell on th
metal jacket batteries as com
pared to the paper clad cell
In addition to the above, th
metal clad batteries have t

a much higher incidence
cise duty on raw mate-
and components because
higher quality and high
ed inputs It was with
deliberate intention of
rsifying the dry cell
ufacture that the govern-
t had licensed a number
ew small units and they
e brought the latest techno-
y, backed by experience
amous companies of Japan
National, Toshiba and of
st Germany like Varta.

he market survey shows
t the commonman's pre-
nce is to buy metal clad
teries but finds high cost of
se cells a deterrent. The
idence of government
ies in the shape of excise
y on raw materials and
ished products is nearly 70
se in a cell which is avail-
le to the consumer at a
ice around Rs 2. The in-
stry, has therefore, urged
reduction of import duty
raw materials for the in-
stry as well as a further
ief of excise duty for metal
cketed dry cells, in order
bring it within the reach of
e common man.

It may be noted that not
ly the entire recent relief
ceived by the metal jacket
tteries in the excise duty
s been passed on to the
nsumer but the consumer
ice has been reduced by
least double of the relief
ceived.

The industry sources said
at it is not correct to state
at the transistor is not a
common man's item. The
etal clad transistor batteries
e also used in torches and
ansistors besides being much
ore effective in sophisticated
struments. Both transistors
d torches are the common
an's item where the metal clad battery is a BETTER BUY for the customer's money.

New Issues

Meena Air Products will issue on April 22, 2.34 lakh equity shares of Rs 10 each and 6,000—11 per cent cumulative redeemable preference shares of Rs 100 at par. The proceeds will be utilised for financing partly the company's Rs 1.20 crores oxygen project being set up at Taloja (Maharashtra). The installed capacity will be 900,000 cubic metres of oxygen gas and 150,000 cubic metres of acetylene gas per annum. The plant is expected to be commissioned in the last quarter of 1970. Since the plant is surrounded by mini-steel plants, engineering units and ship-breaking industries which are bulk consumers of these gases, the company does not anticipate difficulty in marketing its products.

Jaipur Glass and Potteries Works, an existing company having a plant at Jaipur manufacturing crockeries and paper bricks and trading activities in paper, proposes to issue 1.10 lakh equity shares of Rs 10 each at par. Besides, 28,000 equity shares will be offered for sale by the existing share-holders to comply with the stock exchange regulations for enlistment. The proceeds of the issue will be utilised partly for reducing the company's borrowings and partly to meet the requirements for modernisation and additions to the existing plant. The company's working in the past few years is quite satisfactory and showing encouraging results, but due to its past accumulated losses, the capital has been reduced substantially.

Capital and Bonus Issues

Consent has been granted to seven companies to raise capital of over Rs 99 million. The details are as follows:

The United India Fire & General Insurance Co Ltd, has been accorded consent, valid for three months, to capitalise Rs 36,251,430 out of its general reserve and issue fully paid equity shares of Rs 5 each as bonus shares in the ratio of one bonus share for every one equity share held.

Stanes Tyre & Rubber Products Ltd, has been accorded consent, valid for three months, to capitalise Rs 1,125,060 out of its general reserve of one bonus share for every one equity share held.

Nilhat Shipping Company Limited, Calcutta, has been granted consent, valid for 12 months, for the issue of preference shares of Rs 6 million to financial institutions/bank so as to improve the debt eqity ratio as per the stipulation of SDFC.

Ocean Carriers Private Limited, has been accorded consent, valid for three months, to capitalise Rs 110,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

National Insurance Company Ltd Calcutta, has been accorded consent, valid for three months, to capitalise Rs 29,030,450 out of its general reserve and issue fully paid equity shares of Rs 5 each as bonus shares in the ratio of one bonus share for each equity share held.

Televista Electronics (Pvt) Limited, has been accorded consent, valid for three months, to capitalise Rs 819,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Industrial Reconstruction Corporation of India Limited, Calcutta, has been accorded consent, valid for 12 months, for the issue of bonds of the value of Rs 25 million, with a right to retain 10 per cent, of the notified amount.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Rallis India	August 31, 1975	15.0	12.0
Molins of India	December 31, 1975	10.0	Nil
Same Dividend			
Deepak Nitrite	October 31, 1975	12.0	12.0
Amar Dye-Chem	December 31, 1975	12.0	12.0
Goodlass Nerolac	December 31, 1975	20.0	20.0
Highland Produce	December 31, 1975	12.0	12.0
Reduced Dividend			
Kirloskar Oil Engines	June 30, 1975	6.5	7.0
Sakthi Sugars	June 30, 1975	Nil	12.0
Shree Madhusudan Mills	June 30, 1975	Nil	5.0
Empire Industries	December 31, 1975	10.0*	20.0

*on the enlarged capital.

RECORDS AND STATISTICS

Central government public enterprises: 1974-75

ACCORDING to the Annual Re- port on the working of the ndustrial and commercial undertakings of the central government for the year 974-75, there were 129 undertakings under construction and in running stage, which were directly under the manage ment of the Central Govern- ment. In 1973-74, the total number of enterprises was 122 and in 1972-73 the number was 113.

Total Investment

The total investment (equity and long term loans) in the 29 concerns in 1974-75 amoun- ted to Rs 7,261 crores as against Rs 6,237 crores in the 122 enterprises in 1973-74 and Rs 5,571 in the 113 enter- prises in 1972-73. These in- vestment figures do not in- clude amounts secured by the enterprises under cash-credit arrangement with the banks and the deferred credits from oreign suppliers. The annual ate of growth of investment n the latest year 1974-75 over he preceding year worked out t 16 per cent as against the nnual rates of 12 per cent and 0 per cent in 1973-74 and 972-73.

The names of the enterpris- s, the administrative minis- ries responsible for their managements and the total investments therein are given in Annexure I. The list includes eight enterprises under construction, three insurance corporations and four companies registered under Section 25 of the Companies Act (i.e. the non-profit making companies). Of the 136 enterprises, 121 were running enterprises and of these the performance review contained in various paragraphs relates to 120 running concerns (excluding SAIL which is the holding company for steel and certain other companies engaged in cognate activities).

Net Profit

The 120 operating enterprises collectively earned a net profit before tax aggregating to Rs 312.48 crores. After payment of income tax by the profit making companies aggregating to Rs 128.93 crores, the net profit after tax amounts to Rs 183.55 crores. This is as against Rs 64.42 crores in 1973-74 and a net profit of Rs 17.83 crores in 1972-73.

On a capital employed of Rs 6,627 crores as on March 31, 1975 the gross profit after providing for depreciation and deferred revenue expenditure amounted to Rs 559.21 crores. The return on capital employed workes out to 8.4 per cent.

Net profit after tax as percentage on year end paid up capital however, improved significantly from 1.9 per cent in 1973-74 to 4.9 per cent in 1974-75.

The sales turnover of the enterprises during 1974-75 amounted to Rs 10,217 crores as against Rs 6,777 crores in 1973-74 registering a 51 per cent increase. The turnover as a percentage of capital employed improved from 128.9 per cent in 1973-74 to 154.2 per cent in 1974-75.

The value of inventories held by running concerns as on March 31, 1975 amounted to Rs 3,269 crores or 3.9 months cost of production turnover as against Rs 2,518 crores or 4.3 months cost of production in the previous year.

Foreign exchange earnings through exports of goods and trading amounted to Rs 1,091 crores as against Rs 675 crores in 1973-74, and Rs 520 crores in 1972-73.

During the fourth Plan period ending 1973-74 the contribution to the public exchequer by way of dividends, interest, income-tax, and excise duty amounted to Rs 3120 crores. Their contribution to the exchequer during the year 1974-75 amounted to Rs 1,130 crores as follows:

	(Rs crores)
Dividends	20
Interest	133
Income tax	129
Excise Duty	848
Total:	1,130

Internal resources generated by the public enterprices during the fourth Plan amounted to Rs 1,260 crores as against the target of Rs 1265 crores—99.6 per cent achievement. In the first year of the fifth Plan i.e. 1974-75 the actual internal resources generated amounted to Rs 580 crores as against the Plan Target (Draft) of Rs 553 crores per annum, an achievement of 105 per cent.

There has been an improvement in the capacity utilisation in the manufacturing group of industries. A study of 106 units showed that 54 had recorded capacity utilisation of more than 75 per c as against 45 in the previ year. Capacity utilisation 27 units was ranging betwe 50-75 per cent in 1974-75 against 23 in the previous ye Only 16 units operated bel 50 per cent capacity utilisati during the year, the same nu ber as in the previous year.

Groupwise analysis sho that the capacity utilisati was the highest in transpo tation and petroleum grou the position in respect chemical group as a who was satisfactory and in respe of other groups the pictu was one of mixed patter Coming low in the scale the heavy engineering grou where 5 out of 12 operatin units were utilising less tha 50 per cent of their capacity.

The total number of en ployees in the various grou of undertakings was 14.0 lakhs in 1974-75 as again 13.44 lakhs in 1973-74. Th does not include data relatin to nine subsidiaries of Nation Textile Corporation accountin for about 1.6 lakhs employee The total employees in 1972-7 numbered 9.32 lakhs. Th increase in employees 1972-73 numbered 9.32 lakh The increase in employment i 1974-75 and 1973-74 was 4. per cent and 44.2 per cen respectively. In 1973-74 th total outgo on account o salary and wages and othe benefits including bonus wa Rs 749.15 crores which ros to Rs 1053.35 crores in 1974- 75 registering a 40.6 per cent increase over the previou year.

The average annual emoluments earned by an employee in 1974-75 was Rs 7,481 against Rs 5,572 in 1973-74.

The total gross expenditure amounted to Rs 357.90

TABLE I

Net Profit Before and After Tax (Rs crores)

	1974-75	1973-74	1972-73
Net profits before tax	312.48	148.68	81.03
Tax	128.93	84.26	63.20
Net profits after tax	183.55	64.42	17.83

TABLE II

Five Year Profile of Public Enterprises : 10 Industries

	1970-71	1971-72	1972-73	1973-74	1974-75
estment (Rs rores)	4,682	5,052	5,571	6.237	7,261
rnover (Rs crores)	3,309	3,974	5,299	6,777	10,217
oss Profit (Rs crores) before interest and tax	146	172	245	273	559
t Profit (Rs crores) (before tax)	20	22	83	149	312
t Profit/loss (Rs crores) After tax)	(—) 3	(—) 19	18	64	184
ternal Resources (Rs crores) (generated)	204	215	260	387	580
eturn on capital (%) employed	3.9	3.9	5.1	5.2	8.4
eturn on paid-up capital (%)	L	L	0.6	1.9	4.9
mployment (No. lakhs)	6.60	7.01	9.32	13.14	14.08
xpenditure on Employees					
) Salaries and wages etc. (Rs crores)	361	415	541	749	1,053
b) Expenditure on social benefits & housing (Rs crores)	34	34	41	53	73
	395	449	582	802	1,126

Top Ten Enterprises in Terms of Investment During 1974-75

ame of the Enterprises	Amount (Rs crores)	%age of total
okaro Steel Ltd.	1,046	14.4
industan Steel Ltd.	1,025	14.1
ertilizer Corpn. of India	599	8.3
hipping Corpn. of India Ltd.	375	5.2
oal Mines Authority of India Ltd.	304	4.2
eavy Engineering Corpn. Ltd.	292	4.0
ational Coal Development Corpn. Ltd.	287	4.0
harat Heavy Electricals Ltd.	265	3.6
ood Corpn. of India Ltd.	243	3.3
il & Natural Gas Commission	208	2.9
Total for the Ten Enterprises	4,644	64 0
Total for all Enterprises	7,261	100.0

Top Ten Enterprises in Terms of Turnover as one March 31, 197

Name of the Enterprises	Gross Sales Turnover (Rs crores)	%age o total
Indian Oil Corporation	1,967.45	19.3
Food Corpn. of India Ltd.	1,871.36	18.3
Hindustan Steel Ltd.	998.07	9.8
State Trading Corporation	797.91	7.8
Minerals & Metals Trading Corporation Limited	748.56	7.3
Bharat Heavy Electricals Ltd.	274.01	2.7
Madras Refineries Ltd.	200.21	2.0
Coal Mines Authority of India Ltd.	194.07	1.9
Shipping Corpn. of India Ltd.	192.79	1.9
Oil & Natural Gas Commission	143.53	1.4
Total for the Ten enterprises	7,387.96	72.4
Total for all enterprises	10,217.19	100.0

Top Ten Enterprises in Terms of their Profit before Tax During 1974-75

Name of the Enterprises	(Rs crores) Amount
Indian Oil Corpn.	52.14
Oil & Natural Gas Commission	50.77
Bharat Heavy Electricals Ltd.	48.53
Hindustan Steel Ltd.	48.24
Minerals & Metals Trading Corpn. of India Ltd.	44.08
Shipping Corpn.	34.55
Hydro Carbons India (P) Ltd.	22.99
State Trading Corpn.	18.61
Bharat Earth Movers	9.19
Hindustan Zinc Ltd.	9.02

Top Ten enterprises in Terms of Employment During 1974-75

Name of the Enterprises	No. of Employees
Coal Mines Authority of India Ltd.	3,11,283
Bharat Coking Coal Ltd.	1,82,495
Hindustan Steel Ltd.	1,33,056
National Coal Development Corporation Ltd	90,644
Food Corporation of India	48,525
Bharat Heavy Electricals Ltd.	44,700
Hindustan Aeronautics Ltd.	39,683
Bokaro Steel	31,019
Fertilizer Corporation of India	29,128
Oil & Natural Gas Commission	22,644

Top Ten Enterprises in Terms of Tax Provided For During 1974-75

Name of the enterprises	Amount (Rs. crores)
Minerals & Metals Trading Corpn. of India Ltd.	30.85
Indian Oil Corporation	21.50
Hydro Carbons India Ltd.	18.59
State Trading Corpn. of India	12.15
Bharat Heavy Electricals Ltd.	6.00
Bharat Earth Movers Ltd.	5.75
Indian Telephone Industries	5.05
Hindustan Petroleum Corpn. Ltd.	3.76
Rural Eelectrification Corpn. Ltd.	3.28
Cashew Corpration of India	3.09

of a total gross fixed assets the public enterprises of 7,423.9 crores. The actual penditure on township, refere, constituted 4.8 per nt of the total gross investnt in fixed assets.

Considering the critical le of housing in the economy, the public enterprises ave made a significant conibution by adding more an 3.07 lakhs houses to the tal number of housing in ew areas.

The public enterprises have pent a net amount of s 31.18 crores on the mainenance of townships. In ddition a sum of Rs 41.76 rores has been spent on ocial overheads like provion of education and medical are etc.

The total expenditure on mployees' welfare through rovision of houses, eduion and medical facilities mounted to Rs 72.94 crores n 1974-75.

III

Performance Details

As on March 31, 1975, the overall investment (equity and long term loans) amounted to Rs 7,261 crores. Of this total investment equity capital accounted for Rs 3,839 crores and loans Rs 3,422 crores. The investments made by the central and state governments and other parties is as follows:

	(in crores)
Central government	6,437
State governments	9
Private parties (Indian)	362
Private parties (Foreign)	453
	7,261

The plan-wise and annual growth trend in investment in the Central enterprises is presented below:—

Performance Results

The overall performance for the year 1974-75 registered a significant improvement over that of the earlier year. Collectively, the 120 running enterprises (excluding enterprises under construction, three insurance companies, SAIL and four companies (registered under Section 25 of the Companies Act, 1956) earned a net profit (after tax) of Rs 183.55 crores. Eighty one enterprises earned a total profit after tax

TABLE III

Number of Enterprises and Their Investment

Period	No. of enterprises	Investment Rs crores
As on April 1, 1951 (beginning of Ist 5-year plan)	5	29
As on April 1, 1956 (beginning of 2nd 5-year plan)	21	81
As April 1, 1961 (beginning of 3rd 5-year plan)	48	953
As on March 31, 1966 (End of 3rd @ 5-Year Plan)	74	2,415
As on 1-4-1969	85	3,902
As on 31-3-1970	91	4,301
As on 31-3-1971	97	4,682
As on 31-3-1972	101	5,052
As on 31-3-1973	113	5,571
As on 31-3-1974	122	6,237
As on 31-3-1975	129	7,261

TABLE IV

Patern of Investment

The pattern of Investment by different sectors, inclus of enterprises under construction as at the end of 1974-75 given below:

	At end of 1974-75		At the end 1973-74	
	Rs crores	%	Rs crores	
Enterprises producing & selling goods :				
Steel	2217.69	30.5	2028.97	32
Minerals & Metals	1024.70	14.1	872.59	14
Petroleum	434.57	6.0	360.02	5
Chemicals & Pharmaceuticals	1065.91	14.7	818.11	13
Heavy Engineering	692.37	9.5	674.81	10
Medium & Light Engineering	168.14	2.3	146.29	2
Transportation Equipment	270.22	3.7	227.41	3
Consumer goods	82.91	1.1	67.42	1.
Agro based enterprises	9.08	0.1	9.23	0
Total :	**5965.59**	**82.0**	**5204.85**	**83.**
Service Enterprises				
Trading & Marketing Services	316.44	4.4	309.04	5.
Transportation Services	639.63	8.8	528.10	8.
Contracts & Construction Services	22.57	0.3	15.89	0.
Industrial Development & Technical Consultancy Services	4.12	0.1	4.61	0.
Development of Small Industries	36.75	0.6	34.12	0.
Tourist Services	18.26	0.3	17.67	0.
Financial Services	169.92	2.3	89.09	1.
Rehabilitation of sick Industries	87.37	1.2	33.77	0.
Total:	1295.06	18.0	1132.29	16.
Grand Total	**7260.65**	**100.00**	**6237.15**	**100.0**

TABLE V

Profitability of Public Enterprises

	1974-75	1973-74	1972-73	1971-72	1970-7
Gross surplus	894	569	492	389	346
Depreciation and Amortisation	305	259	235	207	187
Write off of deferred revenue expenditure	30	38	12	13	13
Profit before interest	559	272	245	169	146
Interest	246	124	162	147	126
Net profit before tax	313	148	83	22	20
Tax	129	84	65	41	23
Net profit after tax	184	64	18	(—) 19	(—) 3
Paid up capital & Capital Employed:					
Equity	3770	3310	2954	2742	2290
Capital Employed	6627	5256	4756	4018	3754
Profitability Ratios					
Turnover as percentage on capital employed	154.2	128.9	110.6	98.9	88.1
Gross Profit as % on capital employed	8.4	5.2	5.1	4.3	3.9
Net profit after tax as percentage on equity	4.9	1.9	0.6	Loss	Loss

f Rs 322.34 crores while 39 nterprises showed a loss of Rs 138.79 crores, with the esultant figures for all running oncerns being a profit of Rs 183.55 crores in the year nder review as against Rs 64.42 crores in 1973-74.

Surplus before interest, depreciation and tax etc. for the year 1974-75 amounted to Rs 893.74 crores.

The table below presents the performance of the running enterprises for the last three years:

Group-wise Results

For the purpose of performance appraisal, the running enterprises have been classified into cognate groups on a rational basis. The following table presents the comparative picture of the group-wise performance during 1974-75 and 1973-74:

TABLE VII

Working Results of Public Enterprises

(Rs crores)

	1974-75		1973-74	
	Net Profit	Net Loss	Net Profit	Net Lo
Group of Enterprises: Production Enterprises:				
Steel	48.24	11.65	4.71	10.
	(1)	(1)	(1)	(1
Minerals & Metals	16.66	82.43	11.10	49.
	(7)	(6)	(5)	(1)
Petroleum	94.78	5.19	42.08	—
	(7)	(1)	(7)	
Chemicals & Pharmaceuticals	19.53	7.20	4.99	9.
	(7)	(4)	(5)	(6)
Heavy Engineering	43.40	8.80	27.50	12.4
	(3)	(5)	(5)	(4)
Medium & Light Engineering	14.54	1.57	10.85	1.
	(12)	(4)	(10)	(6)
Transport Euipment	12.96	4.65	14.07	3.4
	(5)	(3)	(5)	(2)
Consumer Goods	2.25	3.94	1.80	5.
	(3)	(4)	(3)	(4)
Agro-based	1.84	—	1.04	—
	(3)		(3)	
	254.20	125.43	118.14	92.6
	(48)	(28)	(44)	(31)
II. Service Enterprises:				
Trading Marketing	23.96	0.32	19.76	0.2
	(15)	(2)	(10)	(3)
Transportation Services	36.02	9.11	16.62	1.4
	(4)	(3)	(4)	(3)
Contracts & Construction	1.18	1.25	1.11	—
	(3)	(2)	(5)	
Industrial Development & Technical Consultancy Services	1.45	0.01	1.09	—
	(5)	(1)	(5)	
Development of Small Industries	0.02	1.47	0.10	0.
	(1)	(1)	(1)	(1
Tourist Services	0.76	0.09	0.57	0.
	(1)	(1)	(1)	(1)
Financial Services	3.68	—	3.04	0.
	(3)		(2)	(1
Rehabilitation of sick Industries	1.07	1.11	0.32	1.
	(1)	(1)	(1)	(1)
	68.14	13.36	42.61	3.
	(33)	(11)	(29)	(10
Total All Running Concerns	322.34	138.79	160.75	96.
	(81)	(39)	(73)	(41)
	183.55		64.42	

(Figures in brackets indicate the number of enterprises in each group and category).

TABLE VI

Net Investment of Rs 10 crores and above was made by the central government in the following enterprises during 1974-75:

	Rs crores
Fertilizer Corporation of India	161
Bokaro Steel Ltd.	142
Coal Mines Authority of India	125
Shipping Corporation of India Ltd.	93
Rural Electrification Corporation Ltd.	70
National Textile Corporation Ltd.	53
Bharat Aluminium Company Ltd.	52
Indian Oil Corporation	44
Indian Petro-chemicals Corpn. Ltd.	38
Hindustan Petroleum Corporation Ltd.	37
Fertilizers and Chemicals (T) Ltd.	25
Hindustan Copper Ltd.	21
Cochin Shipyard Ltd.	20
Hindustan Paper Corporation Ltd.	15
Hindustan Steel Ltd.	15
National Fertilizers Ltd.	15
National Mineral Development Corpn. Ltd.	12
Total:	938

TABLE VIII

Enterprises Whose Profitability Have Shown an Improvement as Compared to the Previous Year

(Rs lakh

	Profit after tax 1974-75	Profit before tax 1974-75	Profit before tax 1973-74
eel			
industan Steel Ltd.	4824	4824	471
inerals & Metals			
industan Zinc Ltd.	902	902	450
ndian Rare Earths Ltd.	90	233	94
ational Coal Development Corporation Ltd.	218	218	—659
eyveli Lignite Corporation Ltd.	—1177	—1177	—1216
yrites, Phosphates & Chemicals Ltd.	83	83	—16
ranium Corporation of India Ltd.	10	10	9
etroleum			
ydro Carbons India Pvt. Ltd.	440	2299	—
industan Petroleum Corporation Ltd.	246	622	—
ndian Oil Corporation Ltd.	3064	5214	3081
ndo Burmah Petroleum Co. Ltd.	49	150	121
ubrizol India Ltd.	375	375	110
il & Natural Gas Commission	5077	5077	2451
hemicals & Pharmaceuticals			
ement Corporation of India Ltd.	—17	—17	—54
ertilizer Corpn. of India Ltd.	—71	—71	—134
industan Insecticides Ltd.	37	90	51
industan Salts Ltd.	7	7	2
industan Organic Chemicals Ltd.	339	339	152
ndian Drugs & Pharmaceuticals Ltd.	249	249	—182
ndian Petro-Chemicals Corporation Ltd.	806	806	—281
Madras Fertilizers Ltd.	505	505	308
Sambhar Salts Ltd.	10	31	30
Heavy Engineering			
Bharat Heavy Electricals Ltd.	4253	4853	2700
Heavy Engineering Corpn. Ltd.	—438	—438	—730
Jessop & Company Ltd.	82	82	—446
Medium & Light Engineering			
Electronics Corpn. of India Ltd.	88	158	152
Hindustan Cables Ltd.	123	124	119
Hindustan Machine Tools Ltd.	488	488	96
Indian Telephone Industries Ltd.	360	865	669
Industrial Containers Ltd.	10	30	14
Instrumentation Ltd.	21	30	16
Praga Tools Ltd.	—17	—17	—45
Richardson & Cruddas (1972) Ltd.	12	12	—10
Steel Containers Ltd.	13	38	31
Transport Equipment			
Bharat Earth Movers Ltd.	344	919	488
Goa Shipyard Ltd.	8	20	11
Mazagon Dock Ltd.	85	174	131
Consumer Goods:			
Hindustan Photofilms Mfg. Ltd.	—167	—167	—273
Mandya National Paper Mills Ltd.	77	77	18
Modern Bakeries Ltd.	51	103	77
National Newsprint & Paper Mills Ltd.	97	97	85
Agro-Based Enterprises			
Banana & Fruit Dev. Corporation Ltd.	1	2	—
National Seed Corporation Ltd.	74	256	116
State Farms Corpn. Ltd.	109	109	59
Trading & Marketing Services			
Balmer Lawrie Ltd.	11	25	19
Cashew Corporation of India Ltd.	131	440	395
Central Warehousing Corporation	95	124	123
Electronics Trade & Technological Development Corporation (P) Ltd.	3	8	—
Handicrafts & Handloom Export Corporation Ltd.	25	25	23
Indian Motion Pictures Export Corporation Ltd.	—6	—6	—20
Metal Scrap Trading Corporation of India Ltd.	6	20	1
Mica Trading Corporation Ltd.	13	23	—
Minerals & Metals Trading Corporation Ltd.	1323	4408	3616
Projects & Equipment Corporation Ltd.	13	36	21
SAIL International Ltd.	4	11	—
State Trading Corporation Ltd.	646	1861	1393
Tea Trading Corporation Ltd.	6	10	—3
Transportation Services			
Air India Charters Ltd.	—1	—1	—1
Indian Airlines Corporation	102	102	—107
Shipping Corporation of India Ltd.	3301	3455	1488
Central Road Transport Corporation Ltd.	—25	—25	—32
Contracts & Construction Services			
National Building Construction Corporation Ltd.	16	16	16
National Projects Construction Corporation Ltd.	55	55	25
Industrial Development & Technical Consultancy Services			
Engineers (India) Ltd.	64	120	84
Engineering Projects (India) Ltd.	7	7	5
Metallurgical and Engineering Consultants (India) Ltd.	60	60	45
National Industrial Development Corporation Ltd.	10	10	10
Water & Power Development Consultancy Services Ltd.	4	4	4
Tourist Services			
Hotel Corporation of India Ltd.	—9	—9	—17
India Tourism Development Corporation Ltd.	76	76	52
Financial Services			
Film Finance Corporation Ltd.	1	1	—15
Housing & Urban Development Corporation Ltd.	64	64	50
Rural Electrification Corpn. Ltd.	303	631	536
Rehabilitation of Sick Industries			
National Textile Corporation Ltd.	107	134	71
Rehabilitation Industries Corporation Ltd.	—111	—111	—191

TABLE IX

Enterprises Whose Profitability Have Shown a Fall as Compared to the Previous Year

(Rs lakhs)

	Profit After tax 1974-75	Profit before tax 1974-75	Profit before tax 1973-74
eel			
karo Steel Ltd.	—1165	—1165	—1043
inerals & Metals			
arat Aluminium Co. Ltd.	—655	—655	—360
arat Coking Coal Ltd.	—2612	—2612	—1060
harat Gold Mines Ltd.	—179	—179	—158
harat Refractories Ltd.	—9	—9	—
oal Mines Authority of India	—3611	—3611	—1322
industan Copper Ltd.	243	243	438
ational Mineral Development Corporation Ltd.	120	120	158
etroleum			
ochin Refineries Ltd.	—519	—519	2
Madras Refineries Ltd.	227	227	671
Chemicals & Pharmaceuticals			
Fertilizer & Chemicals (T) Ltd.	—306	—306	—197
Hindustan Antibiotics Ltd.	—326	—326	—145
Heavy Engineering			
Bharat Heavy Plate & Vessels Ltd.	—104	—104	—39
Bridge & Roof Co. of India Ltd.	—269	—269	2
Mining and Allied Machinery Corporation Ltd.	—16	—16	34
Triveni Structurals Ltd.	—53	—53	—35
Tungbhadra Steel Products Ltd.	5	5	6
Medium & Light Engineering			
Bharat Dynamics Ltd.	8	8	11
Bharat Electronics Ltd.	294	499	755
Bharat Pumps & Compressors Ltd.	—63	—63	—34
Biecco Lawrie Ltd.	—33	—33	—31
Hindustan Teleprinters Ltd.	30	60	127
Machine Tool Corporation of India Ltd.	—44	—44	—36
National Instruments Ltd.	7	7	16
Transportation Equipment:			
Central Inland Water Transport Corporation	—275	—275	—241

	Profit After tax 1974-75	Profit before tax 1974-75	Profit before ta 1973-74
Garden Reach Workshops Ltd.	—145	—145	—108
Hindustan Aeronautics Ltd.	834	834	929
Hindustan Shipyard Ltd.	25	25	53
Scooters India Ltd.	—45	45	—
Consumer Goods			
Bharal Opthalmic Glass Ltd.	—122	—122	—106
Hindustan Larex Ltd.	—19	—19	—11
Tannery & Footwear Corporation Ltd.	—86	—86	—56
Trading Marketing Services			
Central Fisheries Corporation Ltd.	—26	—26	3
Cotton Corporation of India Ltd.	59	312	505
Food Corporation of India Ltd.	44	105	106
Jute Corporation of India Ltd.	27	42	59
Transportation Services			
Air India	—885	—885	30
International Airport Authority of India	141	265	293
Mogul Lines Ltd.	58	64	84
Contracts & Construction Services			
Hindustan Housing Factory Ltd.	—40	—40	1
Hindustan Steel Works Construction Ltd.	47	111	123
Mineral Exploration Corporation Ltd.	—85	—85	—20
Industrial Development and Technical Consultancy Services			
Rail India Technical & Economic Services Ltd.	—1	—1	—
Development of Small Industries			
National Small Industries Corporation Ltd.	—147	—147	—63
Delhi Small Industries Development Corporation	2	4	23

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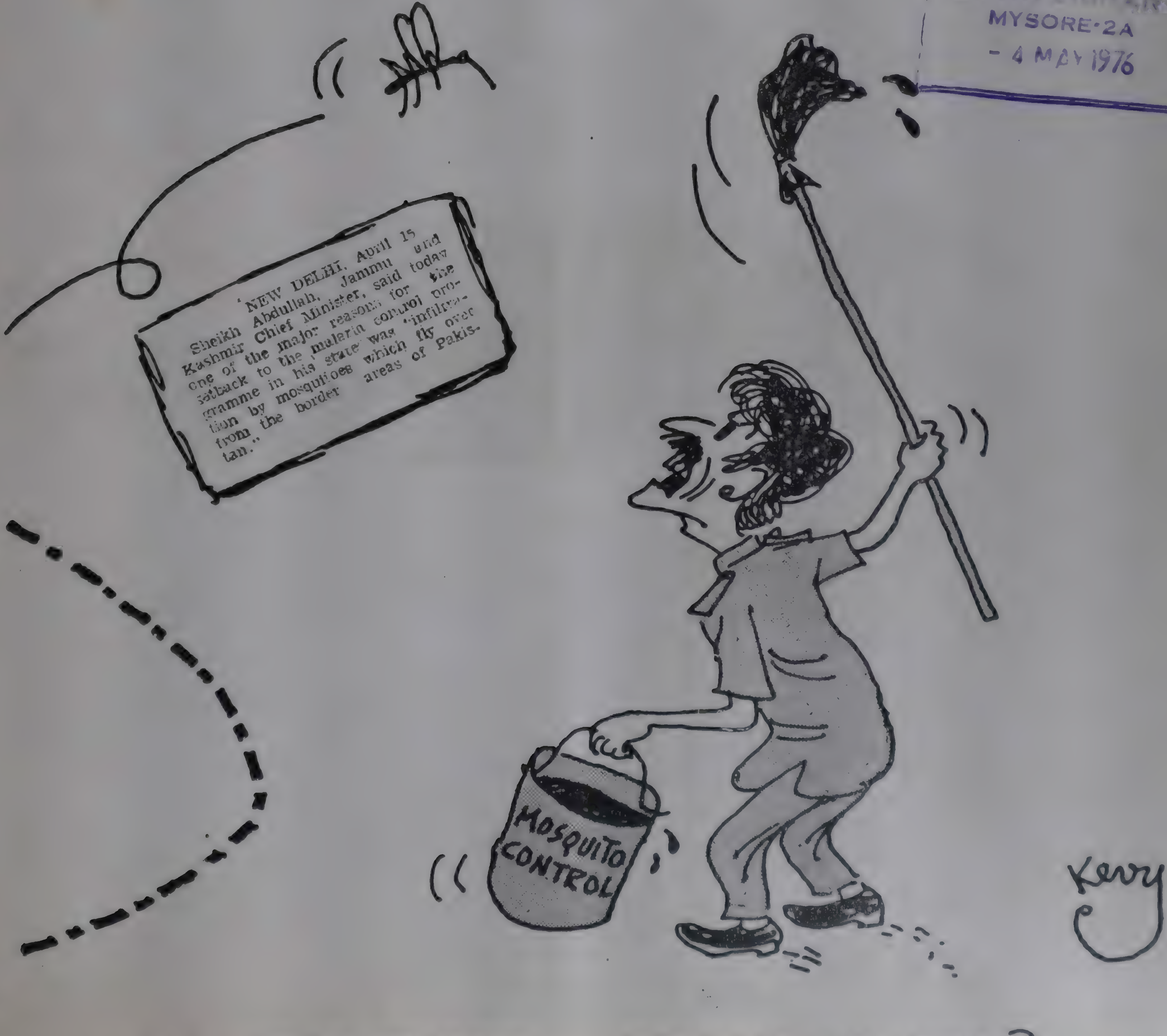

'NEW DELHI, April 15
Sheikh Abdullah, Jammu and Kashmir Chief Minister, said today one of the major reasons for the setback to the malaria control programme in his state was 'infiltration by mosquitoes which fly over from the border areas of Pakistan.'

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alting the Moving Finger 819
oreign Trade and Economic Growth 821
alcutta in the Year 2000 822
egional Approach to Power roduction 823
leghalaya's Progress 825

oint of View

Current Trends in Rural Indebtedness
—Mathuswami Gopalan &
. Kulandaiswamy 826
Ceiling on Bank Lending Rates
—V. Bala Mohena Das &
.V. Prabhakara Rao 829

Window on the World

Problems of an Interdependent World
— Jossleyn Hennessy 831
Trying Time Ahead
—E.B. Brook 834

Trade Winds

Guidelines for Foreign Firms; Trade with Soviet Union; Growth in LIC; Convention of Public Sector Units; Sale of Aluminium Simplified; New Aluminium Alloy; IDBI; DVC; Development of Technology; Subsidy for Engineering Exorpts; Growth of Heavy Industry; Texmaco Cuts Wagon Output; Silver Exports. 836-838

Company Affairs

Philips India; Baroda Rayon; UP State Industrial Development Corporation; Somany Pilkington's; MICO; Voltas; Guest Keen Williams; Dunlop India; Unit Trust; News and Notes; New Issues; Dividends. 840-842

Records and Statistics

Import Policy for April 1976—March 1977 843
National Population Policy 852

Halting the moving finger

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> **The Moving Finger writes; and, having writ,**
> **Moves on : Nor all thy Piety nor Wit**
> **Shall lure it back to cancel half a Line,**
> **Nor all thy Tears wash out a Word of it.**

THIS SENSE of inexorability of events is nowhere more urgently present than in problem of population explosion which the world we live in is face to face with. Wh on March 29, around midnight, the population clock in the Museum of Science a Industry in Chicago ticked away the crossing by the world's population of t four-billion mark, its hands had written as relentlessly as the Moving Finger Omar Khayyam.

Fortunately, however, while what the Moving Finger has written it may not lured back to cancel, it is still possible to halt its writing further. This is what t government of India's national population policy statement has, with vision a courage, set out to accomplish. Our country already has the distinction, along with a f others such as, for instance, Poland in Europe and Japan in Asia, of having accepted co trol of population as a goal of national policy. Now this commitment is to be push forward through a dynamic thrust of purposive governmental intervention in t making of those millions of individual choices which control the number of births the community. It will not be an exaggeration to say that the decisions which ma up this policy statement constitute probably the most imaginative as well pragmatic act of government to which we have been witness.

The hardest of these decisions is clearly the one that relates to compulso sterilization. Although it has been decided not to enforce compulsory sterilizatio through central legislation, the statement has left us in no doubt as to where i preference lies. Should a state legislature, "in the exercise of its own power decide that the time is ripe and it is necessary to pass legislation for compulso sterilization," it may do so — in which case the centre's heart will be wholly such a measure. Unfortunately, New Delhi's position in this regard has not bee correctly understood even in quarters that ought to know better. In spite of t fact that the statement has very deliberately and precisely explained that if centr legislation is not being undertaken, it is only because the administrative an medical infrastructure is not adequate in every part of the country to cope wit such a measure on a national scale, *The Indian Express* has chosen to interpret th population policy statement as "rejecting compulsory sterilization on a nationa scale," The newspaper has also described this fancied 'rejection' as an act o 'humanism'. Considering that compulsory sterilization is prescribed only as means of rescuing people from the privations and various kinds of deprivatio which most large families in a poor and crowded country such as ours are boun to suffer, it is paradoxically enough open to only an extremely rarefied type o intellectualism to bring in the argument about humanism. Since, however, it ha been shown that it is possible for the government's position to be misunderstood, is desirable that the minister for Health and Family Planning should, as early a possible, make it clear that the government has not rejected compulsory steriliz tion on a national scale but has accepted it in principle and would direct its effor to the implementation of this programme as fast as the progress of public opinio in the various areas of the country and the development of the relevant admini trative and medical infrastructure in particular states give promise of the measu meeting with reasonable success.

The Times of India in an editorial on the subject has expressed reservatio of a different kind on the position taken by the government of India on this issu

as argued that nowhere in the country
the administrative and medical infra-
ucture be said to be adequate for the
te concerned legislating for compul-
y sterilization. This is a sweeping
tement. There are, surely, several
tes, such as Maharashtra, Gujarat,
mil Nadu, Kerala, West Bengal,
ryana, Panjab, and possibly
arnataka, and Andhra, not to speak
union territories such as Delhi,
here such legislation could be effec-
ely implemented, provided the or-
nizational effort needed is forth-
ming to a reasonable extent. Even
ith regard to the countryside, the
perience of several states is on record
the effect that mobile surgical
cilities are contributing to the success
f sterilization programmes even in the
ountryside.

horse and cart

It is relevant here to recall that when
gislation for legalising abortion was
hooted, similar objections were raised
egarding the alleged lack of the required
nedical infrastructure. What has actually
een the case, however, is that the medi-
al facilities available for the purpose are
y no means being overstrained by the
lemands of women seeking the relief
f abortion. In any case the question
f placing the horse before the cart
would arise only after both horse and
cart have been brought together at one
place. Moreover, while the deficiency
in the infrastructure may delay compulsory sterilization being enforced universally, whether within the country as a whole or within individual states, it cannot be a conclusive objection to a state government legislating for its introduction.

The Times of India, however, is on firmer ground in pointing to the need for expanding and extending medical facilities for family planning purposes in the countryside, particularly where states which are backward in this respect are cencerned. In fact, to the extent that the government of India's population policy statement has itself recognized that the major impediment to the centre legislating for compulsory sterilization on a national basis is the insufficiency of the administrative and medical infrastructure in a number of states, it is only logical that it should use all its powers of persuasion or more positive intervention to induce state governments in general and, more particularly, the governments of the relatively backward states to give top priority to the improvement of the required infrastructure. It is for this purpose that the policy statement has equipped itself with an assembly of carrots and sticks to coax or goad state capitals to exert themselves.

important point

In its advice to the states regarding legislating for compulsory sterilization, the central government's policy statement makes the important point that any enactment in this connection should be uniformly applicable to all citizens without distinction of caste, creed or community. This is a remarkable act of statesmanship and is nobly consistent with the highest ideals of secularism. It is wholly repugnant to all civilized thinking on our national problems that religious or other obscurantism should be permitted to come in the way of the minority communities being drawn into the mainstream of essential national efforts or purposes.

The policy statement has rightly said that public opinion is now ready to accept much more stringent measures for family planning than before. Progress in this direction would be greatly helped if the right kind of educative propaganda is undertaken, especially among certain minority communities, particularly in certain parts of our country. Here, besides official or semi-official family planning agencies, voluntary organizations basing themselves on the goodwill and trust of the minority communities concerned could do a lot to assist in the realization of national goals. But, it must be admitted regretfully that not much has been happening in this area so far and it is up to the leaders of the minority communities, especially those occupying high public offices or prominent positions in public life, to pull their weight wholeheartedly in the implementation of the national population poli
as outlined in the central government
statement.

An important feature of the ne
policy is the raising of the age
marriage to 18 for girls and 21 for boy
with the provision that the violation
any law made in this regard would
treated as a congnizable offence.
has been doubted, with logic and reaso
that the raising of the marrying age coul
by itself contribute materially to th
lowering of the birth rate. It is therefo
gratifying to find the policy statemen
laying intelligent emphasis on the poi
that what is expected of a higher floo
for the age of marriage is that it woul
go some way towards ensuring tha
couples embarking on married life woul
do so at ages which promise some maturit
of judgment on their part with regard t
such questions as planned parenthood
Looked at in this manner, the prescrip
tion of a higher age for marriage assume
significance, principally as a means o
making the young married populatio
more receptive to the family plannin
message and more responsive to measure
of population control.

policy declaration

As is to be expected of a comprehen-
sive policy declaration, the central govern-
ment's statement contains a number o
measures directed towards the objectiv
of population control. Many, or indee
most of them, are addressed directly t
the state governments since they are th
primary instruments for the implementa-
tion of the population policy. An attemp
has been made to eliminate existing
disincentives while providing new attrac-
tions to state governments for exerting
themselves more positively for implement-
ing the national population policy in thei
respective states. We may welcom
particularly the decision to eliminate th
undue weightage which is being give
to the size of the population of a state a
a factor in allowing representation to it i
parliament or in allocating centra
assistance to it for its Plan projects.

Finally, one of the more material
drawbacks of the national family planning
efforts so far has been the inadequacy of

financial and other resources devoted
. The policy statement contains many
ome provisions intended to remedy
situation. For this and other reasons,
uding those referred to earlier in this
cle, the government of India's national
pulation policy placed before the
ntry on April 16, deserves to succeed.
hether it does so or not would depend on
various policy instruments functioning
h the right combination of institutional
ganization and legislative compulsion
visaged in the statement. This is apart
m the fact that the reasoned attitudes of individuals acting in their enlightened self-interest, and of voluntary community organizations persevering in a spirit of necessary and legitimate patriotism, must necessarily play crucial roles in taking a policy or a programme of this kind towards its fulfilment. Meanwhile the central government could have the satisfaction that it is doing perhaps its best and certainly its bit for halting the relentless ticking away of the Moving Finger across the face of the nation's population clock past the present figure of 600 millions.

Foreign trade and economic growth

HE IMPORT policy for 1976-77, announc-
d in the Lok Sabha on April 14, 1976,
esides being flexible and liberal was
xport-oriented and was expected to
imulate the process of economic growth
n the country. The Commerce minister,
rof. D.P. Chattopadhyaya, refused to
e cowed down by the trade deficit of Rs
,250 crores in 1975-76 which came close
on the heels of a unfavourable trade gap
of Rs 1,164 crores in 1974-75. Exercises
n the ministry of Commerce had indicat-
ed that the value of export in 1976-77
might rise to Rs 4,400 crores and even to
Rs 4,500 crores—provided both production
and exports followed the paths charted out
for them. The import policy had boldly
cut out such constraints as were limiting
production as well as investment. Also,
procedural changes for imports were
nitiated so as to increase the availability
of raw materials and components to the
export industries particularly. The
canalised agencies were required to be
more helpful in meeting the needs of the
exporting units.

The liberalised procedures for imports
have rightly been welcomed by industry
since they will eliminate some of the
irksome delays caused by bureaucratic
bungling. The fact that no less than 43
new items will now be made available to
actual users by the canalising agencies
such as the State Trading Corporation and the Minerals aed Metals Corporation will go a long way in reducing the travails of exporters. What is more, some of the "select" industries will now be in a position to obtain raw materials and components through supplementary licences the basis for which will be either order books or the inventory of raw materials. If a "select" industry is able to show to the ministry of Commerce that it has booked orders for exports whose implementation is hampered because of the non-availability of raw materials or components, it will be promptly issued supplementary licences for imports. If the inventory of raw materials of exporting units is found to be inadequate to meet export obligations, the ministry will provide all possible assistance in this regard. Even the units outside the "select" list will be allowed supplementary licences if it is proved that the shortage of raw materials had hurt its production in the preceding year.

In some sectors, the government has allowed open general licences for importing raw materials and components for honouring export commitments. The leather machinery, tanning materials and some iron and steel items may be allowed to be imported for fulfilling export obligations. This also applies to units operating in the Kandla Free Trade Zone and the Santa Cruz Electronics Exports Processing Zone. Because the leather indus
as well as the export zones offer gr
potential for increasing export earnin
this is no doubt a decision in the ri
direction. There is no doubt that expo
oriented units have taken to imp
substitution in a big way but when th
face adverse criticism from foreign buy
either due to high prices or poor qual
of products, they have no option but
approach the government for maki
available the imported raw materials an
components. The revised policy wi
therefore, allow these export-orient
units to import even those produc
which are available within the count
but cannot be used either because
their poor quality or because of their hig
prices.

The impart policy has also come to th
succour of the exporting units in anoth
way. It has permitted them to use the
entire replenishment entitlements for th
import of machinery and equipment.
is expected that it will encourage th
modernisation of industrial machinery i
this country thus benefiting not onl
exports but also the domestic market
this will apply to such industries a
cotton textiles, tea, jute, coir products
coffee and unmanufactured tobacco.

small scale sector

The small-scale sector engaged i
export activities has also received con
siderable assistance in various forms
The government will welcome the forma
tion of consortia of small units engaged
in export activities. This will benefit th
units through concessions and incentives
which automatically accrue to them afte
the consortium attains a certain level o
exports. In addition the export houses
have been urged to export products
manufactured by the small-scale sector.

Hitherto food, fertilisers and fuel hav
taken up more than half of our impor
bill. With encouraging foodgrain
harvests within the country, the bill fo
food imports is likely to be lowe
during the current year. Also, th
quantity of fertilisers to be imported i
expected to be less and the reduce
prices of fertilisers will also mitigat
the strain on the balance of payments

uel, there may not be any possibility aling down the cost of import; of se, all these three taken together will ainly impose a lesser burden on the nce of payments. With exports g by 15 to 16 per cent in value and uced burden of imports on account ood, fertilisers and fuel, the balance payments is likely to look more erful during the current year. Another ouraging development has been the king of clandestine foreign exchange rations which has increased the inflow remittances from Indians abroad thro-h the regular channels adding greatly the foreign exchange reserves of the ntry.

All in all, the import policy is expected t only to increase the pace of develop-ent of the export industries but is also pected to give a shot in the arm to en the industries which meet domestic requirements- In fact the index of industrial growth will show sizeable improvement—six to seven per cent—over the preceding year through increase in output made possible by the ready availability of raw materials, components and equipment to the industrial units. The new import policy has in fact thrown a challenge to industry which however will be able to play a dynamic role provided the banks also come to their assistance by providing the much-needed credit. Because of rising world prices, the cost of imports will go up this year by 10 to 15 per cent for the same quantity of products as were imported last year. This will strain the rupee resources of importers. Hence the banks will be called upon to assist the industry liberally if the new import policy is to achieve the goals which the government has set for itself.

Calcutta in the year 2000

HE WORKSHOPS sponsored recently by the ndian Chamber of Commerce, Calcutta, focus attention on the problems that ne country's largest city will have to ace by the turn of the present century elped to highlight certain facts which vere not hitherto well-known. For nstance, it was revealed that, contrary o the popular impression, Calcutta was ot attracting immigrants from the other arts of the country to the same extent s before. Prof. Asok Mitra of the awaharlal Nehru University, New Delhi, vho participated in the workshops. howed that between 1951 and 1961 Calcutta attracted very few net immigrants from other states in contrast to ities like Bombay, Madras, Kanpur and Bangalore. He said that Calcutta's opulation would not grow "at runaway peed but will stabilise, making consoli-lation possible of the various investments that are now being poured in". He observed that "this is the time when he avalanche of hordes of unskilled, oor, and illiterate immigrants, such as has been the fate of Calcutta which has earned it the unenviable reputation of being the world's largest reservoir of the region's rural poor has slowed down, that we should pay heed to ways of investing very rapidly in the three directions of education, productivity and plant and capital."

Experts may differ as regards the rate of growth of population of Calcutta in the coming years. As a recent publication of the Calcutta Metropolitan Development Authority said, "planning is said to be a continuous process. So is population growth. In 1961 the Metropolis had six million people. By 1971 two million more had been added. Planners forecast at least 12 million by 1986". But according to some demographers, the population of the Calcutta Metropolitan District would reach about 16 million by the year 2000. Whatever may be actual rate of growth of population, there can be no two opinions about the imperative need to promote rapid and substantial investment in various fields.

Another interesting fact which was brought out at the workshops was the low level of education and literacy of the industrial worker in Calcutta. Prof Asok Mitra said, "The illiterate industrial worker is often an excellent artisan but he cannot proceed beyond that point What is more, by temperament being a monopolist and egotist, he will remain an artisan with little regard for the industrial virtues of punctuality, discipline, team spirit and innovation. The expanding horizon of technology is barred to him. Most industrial workers in Calcutta do not know how to read a drawing or a flow chart, even if they know them by instinct. But instinct does not carry one very far. Low wages, illiteracy, antiquated machinery which needs by and large no more than illiterate workers — a trade union movement which battens on these characteristics, and entrepreneurs who are too shortsighted to anticipate that these are exactly the attributes that are taking them down the slippery slope to sick mills and eventually out of business — these constitute the vicious circle that have ringed the industrial world of Calcutta". Incidentally, it is pertinent to ask if it is not premature to experiment with schemes for workers' participation in management so long as their literacy and education remain at the present low level.

imaginative approach

Improvement of Calcutta needs massive resources but it should not be difficult to obtain them if the authorities concerned approach the problem with realism and imagination. The government of India has been lately taking greater interest in Calcutta's betterment and the World Bank Group has also shown its anxiety to assist the various development schemes. However, what is likely to hamper progress is not so much the paucity of finance but the lack of effective coordination at various levels. As a result, the citizens have not been able to derive full benefit from the money that is being spent on various schemes. The total expenditure up to the fourth Plan on development programmes is estimated at Rs 113.89 crores. The expenditure in 1974-75 was Rs 39.94 crores and the outlay for 1975-76 was Rs 36·11 crores of which Rs 8.76 crores were spent in the first quarter of 1975-76. It is true that some improvements have been achieved in field of water supply, sewerage, inage, environmental hygiene, traffic d transport and housing. But in view the magnitude of these problems ere is an imperative need to expedite e implementation of these schemes. r this purpose, all the agencies ncerned should be able to work together in close coordination. These clude the Calcutta Corporation, lcutta Improvement Trust, Calcutta etropolitan Development Authority, alcutta Metropolitan Water and Sewage uthority and several others.

serious problem

How serious this problem is has been ell brought out by Prof Asok Mitra as ollows: "This has been due to another dministrative reason also, and that is he multiplicity of implementing agencies, he overwhelming majority of which are ntirely Calcutta-based, with their xpert knowledge mainly confined to onditions in Calcutta, and whose ideas f scales of working and technology are mainly suited to Calcutta's conditions. These bodies have mainly hitched their wagons to the star of the urban arrangements and aspirations of western and, of late, American super-cities and, what is worse, they wish to forget about compromises on the scale of amenities that the people in the other municipalities of the metropolitan region can more realistically 'observe and realise'. Of the 24 agencies operating in CMDA, not more than four or five have sensible ideas of what will actually work in non-Calcutta conditions".

In the development of the city, the Calcutta Corporation has a crucial role but it is severely handicapped by shortage of funds. The Corporation's budget has shown a deficit of Rs 24 crores for 1976-77. The Corporation has submitted several proposals for increasing its revenue. These include enhancement of fees on the trades and professions, introduction of an employment tax on salaried persons and a terminal tax on commuters to the city, allotment of a major share to the Corporation of the revenue from motor vehicles tax, imposition of a wheels tax, and revision in the method and rating of valuation of property. Referring to the financial position of the Calcutta Corporation, Mr A.K. Roy, Deputy Commissioner (Revenue) of the Corporation said in a paper presented to the workshops : "It appears from the above picture that the municipal finance of the city will face a complete collapse unless immediate and adequate steps are taken to allow the additional sources of revenue to City Corporation to face its present commitmenfs and to meet the challenge of the future. On a modest estimate the present requirements of the City Corporation is at least Rs 40 crores per annum and in the year 2000 AD, taking into consideration the development projects that have to be maintained and increased civic services that have to be rendered and the increase of the population, the Corporation will need at least Rs 80 crores per annum. any scheme of the financial administr tion of the City Corporation such co tingencies should be borne in mind".

There is certainly a strong case f providing the Corporation with mo resources but at the same time th citizens would like to have more pro of its ability to utilise them in the mo efficient manner. The workshops mad some constructive proposals to tack Calcutta's problems as they are like to arise by the year 2000. A background paper said that the workshop would also consider several other issue "going all the way even up to the nee for more burning ghats". But, surely Calcutta has more burning problem which require the urgent attention both the government and the busines community.

Regional approach to power production

THE OBSERVATIONS made by Mr. K.C. Pant, union minister for Energy, during his recent visit of Tamil Nadu in connection with the inauguration of a seminar on the Economics of Open Cast Mining at Neyveli and the formal commissioning of the fifth unit of 110 MW at the Ennore Thermal Station near Madras, clearly bring out the importance of adopting a regional approach when proceeding to implement new power projects. The efforts made by the union ministry of Energy and the Central Electricity Authority, in co-operation with the engineers of the Tamil Nadu Electricity Board, also emphasise the importance of improving productivity for minimising generation costs. For some reason or other, the Tamil Nadu Electricity Board was not getting a grip on the problems of the Ennore Thermal Station. In the early stages considerable time was lost in evolving workable arrangements for overcoming the difficulties encountered in securing adequate quantities of seawater for cooling purposes. Pending implementation of a different scheme, dredging operations in the sand bar are have provided a satisfactory solution though costly to some extent. Then o the plea that equipment supplied b Czechoslovakia and Bharat Heav Electricals Limited were not quite efficient, operational problems could not b effectively tackled, and there was gros under-utilisation of generating capacity The inexperience of technical personne in the functioning of thermal station an the frequent changes in chairmanship o the board also were the major contributory factors.

Mr Pant has actually made causti comments on the lapses of the board and the serious delays in taking up new projects. The severe power cuts in the pas few years, the parlous state of finance of TNEB and the absence of the cordia relations between the previous stat government and the centre, seriousl retarded economic growth. The recen developments, however, have come abou happily. The modifications to the firs two units of 60 MW each and the identi ion of some of the troubles of the d and fourth sets of 110 MW each in sultation with the experts of BHEL l the Central Electricity Authority, ng with better training of the person- have resulted in more effective use the generating capacity of 340 MW. e fifth set too has been behaving rmally.

At Neyveli the output of lignite s improved with some technical novations. The oil fired boilers o have been operating normally ough the cost of generation is very gh. The delay is finalising plans for odernising the existing mine cut and quiring new mine machinery for raising utput to 6.5 million tonnes has been ostly. But it is now expected that there ill be a steady increase in power genera- ion in the coming years and the whole rogramme will be completed by 1980.

no shortage

The export of power from Neyveli can e easily 2,208 mu in 1976-77 and the vailability from hydel sources from Tamil Nadu 4500 mu with satisfactory ainfall in catchment areas. As it is xpected that Kerala will be in a position o supply 1,000 mu in a full year when he second unit at Idukki also is commissioned, total availability in the current financial year can be safely assumed at 0,100 mu. The state's requirements are now around 9,500 mu and there may be an improvement to 10,000 mu in 1976-77 with the full use of the capacity of the aluminium, caustic soda and cement units. There is, thus, no prospect of a shortage in power availability as Kerala's surplus may actually be 1400 mu, if the damage to fifth unit in the Sabarigiri project on account of sabotage recently, can be rectified speedily and no major difficulties are encountered in running the first unit of the Idukki project. Even if there was a shortiall in hydel generation due to inadequate rainfall, the thermal units can be utilised more intensively to make good the gap as the Ennore Thermal Station can produce even 2250 mu annually under optimum conditions.

With the commissioning of the third unit at the Idukki Project in the latter half of the year and the possibility of the first unit at Kalpakkam being commissioned by the end of 1977, there is no likelihood of recurrence of the happenings of 1972-74 in Tamil Nadu. The electiricity board, however is feeling highly uncomfortable. Even with supply of relatively cheaper power from Karala and less costly lignite power from Neyveli, it is not expected that the board will be earning fully depreciation charges and generating adequate internal resources.

The position will actually get complicated as the agricultural load will be increasing and even with the new levy announced recently the loss on power supply to this sector works out to Rs 35 crores annually. The collection of heavier charges from other classes of consumers results in cross subsidisation to some extent. But the chairman of TNEB has disclosed that there will still be an uncovered deficit of Rs 22·52 crores and the board will have to default in respect of interest payments to the state government for as much as Rs 17.58 crores. It will also not be possible to absorb fully depreciation charges and make the necessary allocations to sinking funds, the shortfall in this regard being around Rs 5 crores.

unenviable position

The board is thus placed in an unenviable position. There will be no shortage of power. But the business of generation and distribution of increasing quantities of electricity is likely to generate more losses, unless fresh upward adjustments are effected in tariff charges. It is true that significant saving can be secured with the elimination of surplus personnel but the advantage accruing in this regard may not be more than Rs 5 crores in a year especially if better emoluments have to be given to the employees with higher productivity. There may also be a reduction in the cost of power generation at Ennore by Rs 5 crores yearly with economies in fuel consumption and higher operating ratio. The discontinuance of oil-firing in two boilers at Neyveli may also be helpful in effecting a saving of another Rs 5 crores. There is, thus, scope for improving earnings and reducing expen diture which will enable the gap to b reduced to Rs 7 crores.

It is also not known what exactly wi be the cost of operation of Kalpakkan Atomic Power Station. It is unlikel that it will be costlier than power fron Neyveli. What really is the crux of th problem is the increase in therma content of power in a period of risin consumption.

thermal power

Assuming that the power needs o Tamil Nadu will be 12,000 mu in 1978-79 additionally 2,000 mu will have to be found in the two years, i.e., 1977-79. This quantity is likely to be mostly thermal in character with Kalpakkam, Tuticorin, Neyveli and Ennore providing an extra 1,500 mu, the balance of 500 mu may be provided by new hydel projects and the existing hydel stations after the capacity of the concerned reservoirs has been augmented. Even in 1976-77 the proportion of thermal power to the total consumption will be 45 per cent. This will rise to 50 per cent by 1977-78 and the cost of generation of purchased power is likely to go up considerably.

The board may, therefore, be compelled to raise rate further even if transmission losses and pilferage can be reduced by 10 per cent over a period. It is naturally anxious that surplus power during night should be used by neighbouring states whenever there is need and any saving resulting in pursuance of integrated operations of the hydel and thermal stations should be made available to Tamil Nadu. There is even a suggestion that there should be a regional tariff so that consumers in Tamil Nadu will not be unduly penalised and those in the predominantly hydel areas will be assured of their requirements with an increase in the thermal content.

The controversy in this regard can b expected to be overcome after a lapse o time. Immediately, however, a new kin of thinking is emerging and it is now being discussed whether it will be desirable to implement new schemes on regional basis with the balanced thermal an ydel content. It will probably pay to p hydel resources on the basis of erspective planning even while thinking f establishiag mammoth coal-based ithead thermal station. The situation vill get crystallised when a final decision s taken in regard to erection of super-thermal stations in Tamil Nadu and Andhra Pradesh. It is, however, readily agreed that the augmentation of the capacity of the Idukki Reservoir has to be accorded high priority and the Hogenakkal project on the Cauvery has to be executed on an emergency basis.

Meghalaya's progress

WHILE PRESENTING the annual budget for the year 1976-77 with an overall deficit of Rs 4.71 crores, the Finance minister of Meghalaya, Mr Brington Buhai Lyngdoh, pointed out that the state has established its offices properly only during the last two years and more districts and sub-divisions have to be created so as to reach the people in far flung areas. Moreover, comprehensive changes in the various taxes are to be carried out after a detailed examintaion of the report of the Meghalaya Taxation and Resources Enquiry Committee. Under these circumstances, the state has allowed the deficit to be uncovered.

The state budget, however, does not include the expenditure on power development, which is to be financed entirely from the resources of the Meghalaya Electricity Board. The power plan outlay for 1976-77, which has been placed at Rs 6.50 crores, includes a provision of Rs 4.50 crores for Kyrdemkulai power project. This is the only scheme under implementation in this state with a total installed capacity of 2 units of 30 MW each. In fact the original approved outlay for power in 1975-76 did not include any provision for this project. Only after protracted negotiations with the Planning Commission an amount of Rs 4.05 crores was made available on an adhoc basis during 1975-76. Following this delay, the revised date of commissioning of this project has now been shifted to the middle of 1978.

The rural electrification programme of this state has also been delayed considerably. More recently, however the state has taken up the programme for rural electrification more earnestly and some progress is expected in the near future.

Under the programme for development of industries in the state, the Meghalaya Industrial Development Corporation is taking steps for promoting industrialisation. Two new units, Meghalaya Steel and Concrete Production Ltd, and Meghalaya Phyto-Chemicals Ltd, have come into production and Meghalaya Essential Oil and Chemicals Ltd, has set up more distillation units. Mawmluh-Cherra cement factory is to be expanded from the existing capacity of 250 tonnes per day to 950 tonnes per day and the financial difficulties associated with this expansion programme have been resolved satisfactorily. The state has also acquired land at Burnihat for an industrial area where infrastructural facilites are being provided. Meghalaya Industrial Development Corporation has also acquired licences for the manufacture of asbestos cement sheets, cement, calcium carbide, acetylene black, jute products, pine apple products and meat processing and tannery. Licences have also been obtained by some private entrepreneurs for the establishment of a cotton mill, a mini paper plant, an oxygen gas unit and a tannery. Feasibility reports for these projects are being obtained and the corporation proposes to encourage the promotional work in the industrial field.

The state proposes to obtain a complete idea of the mineral resources before any decisions can be taken for their commercial exploitation. With this end in view, the feasibility report for the mining of Nangalbibra coal has been finalised. Enough coal is available for a thermal power station and a clinker factory for which feasibility reports have been prepared, and are awaiting decisions of the central government. Detailed investigations of Lumshnong limestone deposits in Jaintia Hills in the context of the proposed cement factory, have also been taken up. In order to ensure su of coal to Mawmluh-Cherra cements tory, detailed investigation of Maw coalfield has been started with assist from the North Eastern Council. facilitate analysis of samples of mine an analytical laboratory has sta functioning in the state. Some stud have been awarded scholarships obtain training in earth sciences in o to meet future requirements of trai personnel.

important develodment

An important development Meghalaya is the settlement of the sh ing cultivators so that they can ad settled kind of cultivation. For th agricultural and non-agricultural land being improved through terraci reclamation and afforestation. The st government has rightly decided to ad a follow up action up to the third year their settlement. In the second year farmers are to be provided with impr ed seeds at 50 per cent subsidy and fertilisers and facilities of power tillers. the third year fertilisers are to provided at 50 per cent subsidy and facility of hiring the power tillers official rates. It appears that some k of cooperative organisations have also be encouraged in these areas so th these cultivators can obtain the requi credit and other facilities. The set ment of 500 families this year will come successful only if the state is a to expeditiously remove the difficult being faced by the already settled peo through procurement of improved see and fertilisers.

The Indo-Danish project of cat development at Upper Shillong extending its operations of artificial semination in Nayabuglow area. So imported Jersey bulls have been add to the farm. Extensive fod cultivation is also being taken up in fodder farm at Kyrdemkulai. The fe mill at Tura is to be provided with new building, construction for wh has been started. The sheep farm Saitsama has also been extended. Th measures are likely to yield increa availability of meat, milk and m products and will encourage organi feed and fodder production.

Current trends in rural indebtedness

Muthuswami Gopalan &
V. Kulandaiswamy

E PROBLEM of rural indebtedness is as as Indian agriculture itself. It is the result of usurious money lending, provident spending and adversities in iculture. The heavy burden of debt t only continues to cripple our rural onomy, but it also grows in alarming gnitude. Several attempts have been ide by expert bodies from time to time a realistic estimation of rural indeedness. Nevertheless, the fact remains at the rural indebtedness in physical ms is mounting up and the nightmare indebtedness continues to haunt the dian peasants.

An analysis of the estimations made several committees depicts a linear te of growth in rural indebtedness. he findings of the All India Rural Credit irvey Committee relating to 1951-52 iow that the total rural indebtdness was out Rs 750 crores. The average debt r rural family was Rs 160; and the perntage of rural families reported borroings was 51.7. After a decade, the Alldia Rural Debt and Investment Survey 961-62) estimated that the aggregate ebt for all rural families stood at s 1034 crores, which is 38 per cent higher ian the corresponding estimate for 950-51.

declining trend

The proportion of households reported orrowings was 48.8 per cent and ie average debt per rural family was ₹s 158 (cash loan only). It is paraoxical that both the number of families eporting indebtedness and the average orrowing per rural family declined while he aggregate debt for all rural families ad risen disproportionately. Similar rend could be observed in respect of orrowing by cultivating families too. he All India Rural Credit Review Comittee (1969) interprets this trend in he following manner: "The explanation nay perhaps lie partly in the differences n the method of estimation adopted and he varying errors to which such estinates might be subject and partly in actors affecting individual state figures which, in turn, could have influenced the all-India data"[1] However comparison of the results of these two surveys relating to the outstanding indebtedness of cultivators shows a steady increase. The average indebtedness of cultivators, which was Rs 364 in 1951-52 rose to Rs 473 in 1960-61. This indicates an average growth rate of three per cent per annum.

Quite recently the report published by the All India Rural Debt and Investment Survey relating to 1971-72 also depicts an increasing trend in rural indebtedness. It has been estimated that the aggregate borrowings of all rural households on June 30, 1971 was Rs 3921 crores, while the average per rural household being Rs 503. Forty three per cent of the rural families had reported borrowings. Again comparison of the levels of borrowings per rural household in 1961 and 1971 discloses the fact that the nature of growth in indebtedness in different states follow an identical pattern both in 1961 and 1971.

It is evident that the indebtedness of rural households was over and above all India average in Andhra Pradesh, Gujarat, Karnataka. Punjab, Rajasthan, both in 1961 and 1971.

Of all the rural households the average borrowings of cultivating families according to 1971 survey is much larger. However, no real estimation of the burden of indebtedness can be made unless the level of indebtedness is related to the value of assets.

Though the magnitude of indebtedness is greater in respect of cultivating households (i.e., Rs 611.96) the propor-

TABLE I

Borrowings Per Family (Cash Loan)

State	1961 (Rs)	1971 (Rs)
Andhra Pradesh	180.3*	649.66*
Assam	29.7	182.28
Bihar	160.5*	284.76
Gujarat	269.5*	926.98*
Haryana	——	921.50
Himachal Pradesh	——	561.96*
Jammu & Kashmir	119.2	355.41
Karnataka	230.6*	759.46*
Kerala	133.8	368.80
Madhya Pradesh	124.7	393.97
Manipur	——	91.23
Maharashtra	136.9	585.37*
Meghalaya	——	10.24
Orissa	40.6	165.08
Punjab	269.6*	1,078.88*
Rajasthan	398.8*	885.59*
Tamil Nadu	210.0*	693.43*
Tripura	——	293.50
Uttar Pradesh	138.4	338.52
West Bengal	129.6	185.47
All-India	158.6	490.62

* Figures represent the amount above the all-India average.

n of their liabilities to assets is the west (i.e. 4.27%). On the contrary e proportion of the liabilities of agri- ltural labourers to their assets is the ghest (i.e., 14.2%) while their liabilities absolute terms is only Rs 161.96.

Wide variations are found among fferent states, when the percentage of abilities of the borrowing households to eir assets is worked out.

It is inferred that the proportion of abilities to assets is the highest in Tamil Nadu followed by Andhra Pradesh and Karnataka. Thus the intensity and gravity of indebtedness in more in southern states than in other regions.

Another interesting observation that could be made from the comparison of the two surveys is that the extent of borrowings by cultivators hailing from different range of asset groups has also gone up. Both in 1961 and 1971, the average borrowings of cultivating households has a positive correlation with their asset status. Thus it could be inferred that the levels of borrowings of big cultivators was more owing to certain obvious reasons such as general inflationary spiral, higher cost of cultivation and greater investment outlays in agriculture by this group of cultivators.

specific reasons

In addition to the conventional factors viz. ancestral debt, improvident spending, uncertainties of agriculture, unemployment and underemployment and non-institutional borrowings, the following can be identified as specific reasons for the growing trend in rural indebtedness:

1. Increasing monetisation of rural economy and commercialisation of rural sector in the recent years are the prime factors to induce increased borrowings. This idea is also endorsed in the report of the Rural Credit Follow Up Survey (1959-60) which reads as follows:

"The size of agricultural debt may be low in a non-monetized district where the current expenditure in cash towards crop production is not high. If opportunities for investments are lacking in such a district either because of the undeveloped nature of its agriculture or for any other reason, there would be only limited borrowing for farm business as a whole which would be another factor contributing to a very low level of debt"[2]. For example in agriculturally advanced states such as Punjab and Tamil Nadu more of indebtedness is observed (Table 1). Again it is evident from the fact that the increased borrowings have resulted in the creation of new assets in agriculture and as a result of which the proportion of liabilities of the farm families to their assets has reduced from six per cent in 1951-52 to 4.2 per cent in 1971.

2. There is an association between family expenditure and the level o debtedness. Enormous rise in ge price level in recent years has ca substantial increase in consumption penses of rural households. This blem is more acute in backward and regions, where sufficient employment

TABLE II

Average Value of Assets and Liabilities Per Rural Household

Type of rural household	Total assets (Rs)	Total liabilities (Rs)	Proportion of liabilities to assets
All households	11,343.34	503.07	4.5
Cultivators	14,693.99	611.96	4.2
Agricultural labourers	1,139.06	161.96	14.2
Artisans	2,396.19	260.80	10.8
Other non-cultivators	4,681.10	288.44	6.1

TABLE III

Proportion of Liabilities to Assets Per Borrowing Household in Different States

State	Total assets (Rs)	Total liabilities (Rs)	Percentage
All-India	11,343.34	503.07	4.4
Andhra Pradesh	8,080.29	663.09	8.2
Assam	7,832.91	187.53	2.4
Bihar	12,827.92	302.59	2.3
Gujarat	12,874.38	928.04	7.2
Haryana	17,138.66	924.73	3.4
Himachal Pradesh	22,672.70	562.43	2.5
Jammu & Kashmir	15,259.92	357.89	2.3
Karnataka	10,761.54	778.37	7.3
Kerala	11,615.03	369.42	3.1
Madhya Pradesh	10,520.31	409.67	3.9
Maharashtra	11,682.07	597.78	5.1
Manipur	7,296.43	102.60	1.4
Meghalaya	6,017.62	14.78	0.2
Orissa	6,023.45	201.88	3.3
Punjab	31,833.25	1,083.95	3.3
Rajasthan	12,753.71	895.16	7.0
Tamil Nadu	6,826.56	695.00	10.1
Tripura	6,475.28	241.00	3.7
Uttar Pradesh	13,531.27	346.77	2.5
West Bengal	7,330.78	201.03	2.7
Delhi	27,688.94	629.64	2.8

TABLE IV

Borrowings of Cultivators Belonging to Different Asset Groups

Range of Asset group	1961 (Rs)	1971 (Rs)
Less than Rs 500	45	113
Rs 500 — 1000	70	143
Rs 1000 — 2500	98	223
Rs 2500 — 5000	156	303
Rs 5000 — 10,000	251	416
Rs 10,000— 20,000	386	635
Rs 20,000 and above	737	1,778

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come have not been generated. "In ficit type of economy with low land elds and chronic failure of crops, the ed for funds for current consumption is gh. In such a region, a good year nidst a series of bad years does not nerally result in an appropriate reduc- on in the volume of debt or in the pro- ortion of indebted families. The repay- ng capacity of the cultivators being mited, the proportion of families indebt- d would continue to be generally high."[3] hus the problem of indebtedness is ommon both in the developed and back- ard regions.

If the problem of rural indebtedness s to be kept within meaningful limits nd manageable proportions, following egislative and non-legislative measures hould be taken:

1. At present the institutional gencies provide only about 50 per cent of the total rural credit needs. Increased efforts by all the institutional agencies are called for especially in the context of the declaration of moratorium on rural debt which may affect the flow of non-institutional finance.

2. There are about 75 million marginal farmers with less than one hectare of operational holding, 20 million artisans and 47 million agricultural labourers, in rurul sector, who constitute the rural poor. Liquidation of existing debt is an essential step in order to give relief to these weaker sections. The Debt Relief Acts passed in different states should be effectively implemented.

3. Institutionalisation of rural savings and inculcation of saving habits among rural folk is a positive step to mitigate this problem. Massive propaganda and education on economising expenditure may discourage extravagant spending by certain categories of households. If necessary, certain leg tive measures such as abolishing d system and imposing austere marri may also be resorted to:

4. Attempts must also be made bring the money lenders under some f of monetary regulation and control the lines suggested by the Banking C mission. Though at present legislati sxist in several states for the regula of money lenders they lack enforcem which render them ineffective.

References

1. Reserve Bank of India; Report of the India Rural Credit Review Committee, Bom 1969; p. 52.

2. Reserve Bank of India; Rural C Follow-up Survey, 1959-60, Bombay; 1962; p.

3. Ibid: p. 25.

N.B: Figures have been taken from the ports of the All India Rural Credit Review C mittee, 1969 and All India Rural Debt Investment Survey, 1971-72.

Ceiling on bank lending rates

V. Bala Mohana Das &
J. V. Prabhakara Rao

THE DECISION of the Reserve Bank of India to prescribe, effective from March 15,1976, a ceiling of 16.5 per cent on the lending interest rate chargeable by larger Indian and all foreign banks is in the right direction. In fact, this should have been done by the Reserve Bank much earlier. While the Reserve Bank has, long ago, fixed ceiling rates on deposits with a view to reducing unhealthy competition among banks, it has not done the same on the lending rates. The important objectives of the ceiling on lending rates are to compel the banks to improve their efficiency and sharpen their sense of priorities. With no ceiling on lending rates banks were able to boost their income and cover up their deficient cost control. In addition, banks far from their headquarters have been resorting to arbitrary and discriminatory practices. Defaulting industrial borrowers are charged penal interest without any clearcut assessment of the reasons underlying their weakness.

The ceiling rate has been fixed at 16.5 per cent. This is inclusive of the seven per cent central government's tax on banks' interest income from advances. Net of the tax, the ceiling thus is approximately 15.5 per cent. This ceiling covers advances including bill finance but not the advances subject to selective credit controls. The ceiling rate will not apply to banks with demand and time liabilities aggregating less than Rs 25 crores. For banks with demand and time liabilities of over Rs 50 crores and for foreign banks irrespective of the size of their deposits, the ceiling rate is 16.5 per cent. The banks in the middle category have been allowed to charge one per cent more than this ceiling. There is no change in deposit interest rates and the minimum lending rate of 12.5 per cent prescribed for advances other than those categories specifically exempted has not been altered. Rediscount and refinance continue to be wholly discriminatory,

Another important direction given to commercial banks by the Reserve Bank of India relates to the calculation of interest on loans. The present practice has been that though the calculation varies with the break up of period for which loans are granted, many banks calculate interest on a monthly basis thus inflating the total cost of credit. The Reserve Bank has now directed the banks that they must allow borrowers quarterly rests and told them that although the penal rates on irregular accounts will not be covered by the operation of the ceiling rate, banks should not look upon penal rates as a source of revenue. This exemption seems to have been designed to give some manoeuvrability to banks. It has stressed that the essential objective of charging a penal rate should be to discipline the borrower.

The approach of the Reserve Bank in prescribing ceiling on lending rates was clarified by Mr K.R. Puri in his letter to commercial banks. The letter stated t "some of the practices which have b observed in the course of policy imp mentation are out of tune with the ba objectives of such policy and have to corrected. The maximum rates of in rest on credit that are charged by ba fall in this category. The incidence such high rates has also fallen on number of small borrowers." It is this connection the lending interest c ing has been introduced with a view bringing about an appropriate relati ship between the Bank Rate and maximum lending rate. The banks also required to ensure that there is upward or downward readjustment interest rates down the line. The R governor's letter further stated th within the ceiling rate of interest pr cribed, banks may realign existing inter rates in such a manner that the differe tial between demand cash credit, lo component and the term loan represe ing the excess borrowing to be amortis — in terms of Tandon panel's norms is maintained.

In order to justify the ceiling of 16 per cent on banks' lending rate Reserve Bank had statistically quantifi the extent to which commercial ban boosted their interest rates on the bu of their advances in 1974 following increase in the Bank Rate to nine p cent and the levy of the seven per ce tax on banks' interest income fr advances. As on the last Friday

TABLE I

ans and Advances* of Scheduled Com-cial Banks According to Broad Interest Ranges

s on the last Friday of December' 74)

(Rupees in crores)

erest range	amount	Percent of total
% and less	1,227,24	20.8
ove 12% and to 14%	1,231.83	20.8
ove 14% and to 16%	2,528.12	42.8
ove 16% and to 18%	816.18	13.8
ove 18%	107.03	1.8
tal	5,910.40	100.0

Relates to accounts with credit limits over Rs 10,000 **Source :** Reserve Bank of India.

TABLE II

oans and Advances of Commercial Banks Public and Private Limited Companies cluding those Managed by the Governments (Dec. 1974)

(Rs in crores)

nterest range	Amount	Per cent of total
2% and less	438.49	15.3
bove 12% and pto 14%	350.44	12.2
bove 14% and pto 16%	1,690.69	58.9
bove 16% and pto 18%	340.31	11.9
bove 18%	49.71	1.7
otal	2,869.64	100.0

Source : Reserve Bank of India

mber 1974, the total outstanding nces of scheduled oemmercial banks amounted to Rs 5,910 crores (Table I). Out of this Rs 923.21 crores representing 15.6 per cent of the total advances were at an interest of 16 per cent and above. There were Rs 107.03 crores representing about 1.8 per cent at an interest of above 18 per cent. Among the advances to public and private limited companies, partnerships and proprietary concerns and individuals, advances at an interest of above 16 per cent constituted Rs 390.02 crores, Rs 393.43 crores and Rs 86.49 crores respectively (Tables II, III and IV). Even among advances to public sector and the cooperative sector, advances at n interest of 16 per cent and above constituted Rs 47.16 crores and Rs 3.12 crores respectively (Tables V and VI).

Though on the whole the Reserve Bank's decision to impose a ceiling on lending rates is a welcome step, the measure seems to be half-hearted. The bank. has not prescribed uniform rate for all advances and for all banks. Small banks with demand and time liabilities aggregating less than Rs 25 crores are free to charge any rate and thus continue to indulge in the same practices that the Reserve Bank wants to correct. Since only about 15.5 per cent of the total advances is presently lent at over 16 per cent and the exemption given to small banks will bring down the share of high interest rated loans still further, it is hard to say how far the new order of things will serve to soften the rigours of high interest rates. It would have been better if the Reserve Bank has directed the commercial banks to charge interest on advances with half-yearly rests as is don on deposits instead of on quarterly basis.

TABLE III

Loans and Advances of Commercial Banks to Partnerships and Proprietary Concerns (Dec. 1974)

(Rs in crores)

Interest range	Amount	Per cent of total
12% and less	344.39	21.9
Above 12% and upto 14%	324.77	20.6
Above 14% and upto 16%	510.38	32.4
Above 16% and upto 18%	453.43	22.4
Above 18%	43.00	2.7
Total	1,575.97	100.0

Source : Reserve Bank of India

TABLE IV

Loans and Advances of Commercial Banks to Individuals (Dec. 1974)

(Rs in crores)

Interest range	Amount	Per cent of total
12% and less	161.73	34.4
Above 12% and upto 14%	109.76	23.3
Above 14% and upto 16%	112.20	23.9
Above 16% and upto 18%	75.21	16.0
Above 18%	11.28	2.4
	470.18	100.0

Source : Reserve Bank of India.

TABLE V

Advances of Scheduled Commercial Banks to Public Sector. (Dec.1974)

(Rs in crores)

Interest range	Amount	Per cent of total
At 12% and less	234.42	26.1
Above 12% and upto 14%	413.24	46.1
Above 14% and upto 16%	201.75	22.5
Above 16% and upto 18%	44.61	5.0
Above 18%	2.55	0.3
Total	896.57	100-0

Source : Reserve Bank of India

TABLE VI

Advances of Commercial Banks to Co-operative Sector (Dec. 1974)

(Rs in crores)

Interest range	Amount	Per cent of total
12% and less	48.20	49.1
Above 12% and upto 14%	33.63	34.3
Above 14% and upto 16%	13.09	13.4
Above 16% and upto 18%	2.62	2.7
Above 18%	0.50	0.5
Total	98.04	100.0

Source : Reserve Bank of India

The Reserve Bank should insist upon all banks to charge uniform discount rates in bill financing. It is also desirable that uniformity should be insisted upon by the Reserve Bank in the service charges levied by commercial banks. At present, the fixing of charges on various types of domestic services is left to individual banks. Some of the big banks charge fantastic rates for collection of cheques whereas smaller ones seem to be more considerate. Also, the rates differ from branch to branch. Thebargaining power of the customer also counts. It is heartening to note in this connection the constitution of a committee under the chairmanship of Mr V.R. Desai on March 17, 1976 to examine the entire issue of penal interest rates and service charges levied by banks. The committee, which has been asked to submit its report within one month, should consider these discrepancies and would do well if it recommends a rational policy in this regard.

Problems of an interdependent worl

Jossleyn Hennessy, London

I

TRANSMISSION OF INFLATION

THE RECENT experience of a rapidly accelerating rate of inflation and subsequent dramatic decline in the level of output and employment in the industrialised countries can be explained largely in terms of increase in the international economic interdependence since the last war. Specifically, the international spread of accelerating inflation that occurred in 1973-74 stemmed largely from efforts to maintain fixed exchange rates. The ensuing recession, moreover, was aggravated by the neglect in individual national anti-inflation policy of the impact that individual measures would have on trading partners in an interdependent world.

Inflation accelerated in 1973-74 following the over-expansionary fiscal and monetary policies pursued by almost all of the world's industrial countries in the early 1970s, policies directed at restoring high levels of output and employment following the economic slowdown at the beginning of the decade.

The seeds of the breakdown of the Bretton Woods epoch were planted in 1965, when the rate of inflation in the United States in particular accelerated as a result of the increase in US money creation associated with the deficit financing of the Vietnam war.

benign neglect

World inflation was intensified when the United States was freed from major concern about gold by the 1968 two-tier gold agreement whereby central banks agreed neither to buy nor sell gold in the private market, enabling the Nixon administration to focus attention almost exclusively on tackling the 1970 resession and to follow a policy of 'benign neglect' with respect to gold and the balance of payments.

Under the influence of a shift by the Federal Reserve to an easy money policy, the US balance of payments deficit deteriorated in 1970 to an unprecedented $10,000 million from an annual average of $1,000 million from 1960 to 1969, and then to $30,000 million in 1971. Foreign central banks, in order to forestall the appreciation of their currencies *vis-a-vis* the dollar because of a preference for undervalued currencies, and to force the United States to take steps to correct its growing deficit, were obliged to purchase an uprecedented quantity of dollars that in turn formed the basis of an equally unprecedented increase in the rate of growth of domestic money supplies.

rapid expansion

Non-Communist central bank holdings of foreign currency reserves rose by more than $45,000 million during 1970 and 1971, compared with a total increase of $20,000 million during the preceding twenty years and provided the base for a rapid expansion in domestic money supplies over and above that desired on purely domestic criteria, and so exacerbated underlying inflationary tendencies.

For example, domestic money stocks in the United Kingdom and Canada increased at average annual rates of three per cent and nine per cent between 1965 and 1970, and that of France and West Germany by six per cent and seven per cent. During the first quarter of 1971 the respective annual rates of increase for the United Kingdom and Canada amouted to 19 per cent and 20 per cent, and that for France and West Germany 20 per cent and 10 per cent. In the first quarter of 1972 rates of increase of 19 per cent, 33 per cent and, 15 per cent and 10 per cent were recorded.

This excessive monetary creation, resulting from last-ditch efforts to preserve exchange rates, occurred at a time of strong and simultaneous expansion in economic activity in the major industrial countries. Simultaneously, speculative buying of commodities stemming from widespread uncertainty about the future,
following the Middle East War,
superimposed in some cases on a ra
low initial stock and shortfalls in out
This led to a world-wide upsurge in c
modity prices that began at the en
1972 and reached a peak in the first
of 1974, and greatly aggravated the
flationary problemes facing indivi
countries. With fixed exchange r
being generally maintained until the
ginning of 1973, the increase in comm
ity prices was initially reflected directl
domestic price levels, and it was not u
the period of general exchange rate fl
ing began that domestic prices lev
depending on the particular natio
monetary policy being pursued, coulc
insulated from world trends.

II

FLOATING

Under a regime of fixed excha
rates, individual countries hoping to p
sue a rate of inflation below the wo
average were frustrated by various
tors such as the direct impact of incre
ed prices on the national price level
the increase in the domestic money s
ply due to rising exchange reserves.

That the adoption of floating excha
rates by major world countries has occ
red at a time of historically high ra
of inflation has led many observers
conclude that floating rates have in so
way caused or aggravated world in
tion. A fall in the exchange rate, i
argued, increases the prices of both
portables and exportables, encoura
compensatory money wage increases
cost-push inflation in general. The
crease in the domestic prices of tradea
goods, however, is part of the mechan
for correcting a balance of paym
deficit through stimulating appropr
resource movements and changes in
penditure. Furthermore, the once-a
for-all increase in the domestic price l
caused by the depreciation is not the s
as inflation, which is defined as a susta
upward movement in prices: whe

eciation can be said to cause infla- depends on the particular national omic policy being pursued. It was omic policies designed to preserve ange rate levels that for various rea- had become seriously out of line, which eventually turned out to be ustainable, that was partly responsible the international diffusion of accele- ng inflation.

loating exchange rates are blamed nly because they were on the inter- ional scene when price levels began espond to the excessive rates of netary expansion that marked attempts prevent the break-up of the fixed ex- nge rate system. The world-wide ndonment in the first quarter of 1973 fixed exchange rates and of heavy cen- l bank intervention in the foreign ex- nge market was necessary for a slow- wn in world inflation because many portant countries were enabled to pur- e essentially independent and less ex- nsionary monetary policies.

policy tools

Policy tools that were and are being ed by most countries against inflation, wever, include government tax and penditure credit controls and income licies. There has been a debate for any years regarding the relative effec- veness of the various policy instru- ents. 'Monetarist' economists regard hanges in the money supply as the most nportant, and even decisive, influence n movements in total spending, while Keynsians" argue that changes in aggre- ate expenditure are better explained by hanges in the expenditure and tax poli- es of governments, with the object of onetary policy being to influence inte- est rates and conditions in the money apital markets. Regardless of the choice f tools, however, a reduction in the rate f inflation requires that the increase total spending per period be succes- ively reduced until it does not exceed he growth of real output.

If this required slowdown in the growth f total money spending has to take lace while expectations are generally of high inflation rate, the result is an in- rease in the level of unemployment.

To appreciate this, it is sufficient to ote that it is the relationship of the oney wage to the money value of what worker produces that determines the rofitability of hiring labour. In an nvironment in which high rates of in- ation are expected to continue, both usiness pricing behaviour and wage bar- ains will take the expected rate of infla- ion into account.

When total spending slows, firms find that the prices they are charging are too high and prevent them from selling all that they wish, since those prices were based on expected continuation both of the rate of inflation and of the rate of total spending. If prices are reduced in order to stimulate sales, lower than expected profits will be earned owing to the earlier granting of nominal wage increases in line with the expected rate of inflation, and the consequence will be an accumulation of unsold stocks or a reduction in the level of output and employment. Nominal wages will have turned out to be too high in relation to the money value of what labour produces, employment will be reduced and prices may be trimmed.

In the next 'planning period', expectations of the rate of inflation will be revised downwards by both business and labour in the face of the deficiency in aggregate demand, which will lead to a corresponding reduction in the rate at which nominal wage rates and prices are raised. If the rate of wage and price increases, estimated on the basis of the inflation rate expected in the following planning period, again overestimate the rate of total spending, employment will again decline. Only after a period of time has elapsed will full adjustment of prices, wages, output and employment to the slowdown in total spending be achieved, with revised expectations eventually making possible a resumption of output and employment growth.

The argument carries a clear implication regarding the speed at which governments might attempt to reduce the rate of nominal spending when people have strong expectations regarding future inflation. The faster spending is slowed the greater will be the rise in unemployment during the transition to price stability. Governments are thus faced with a dilemma: a faster reduction in the rate of inflation requires a greater rise in unemployment, and vice versa. An 'incomes policy' is intended to mitigate this process, i.e. to reduce the growth in spending at a smaller cost in unemployment.

III

"MOST SERIOUS SINCE THE WAR"

The slowdown in nominal spending throughout the industrialised world that began around 1973 was such as to produce a fall in output and employment much greater than had generally been expected and the most serious since the war. The OECD, in July, 1974, stated that 'the OECD area has just gone through the most exceptional deceleration of growth ever experienced'. The severity of this decline in economic activity can be traced partly to the pursuit of anti-inflation policies with insufficient regard for the consequences for themselves of other countries' actions, to a generally sharp contraction of the real money supply (the real purchasing power of the money supply), and to the effect of the oil crisis in October, 1973, when, following the outbreak of the Middle East War, oil prices were quadrupled by the OPEC countries and the Arab members selectively cut back supplies.

The impact of the OPEC decision varied from country to country, but the general effect was a fall in real incomes and a substantial shift in relative prices that reduced the output of goods owing to the inability of real resources to adapt quickly. In the United States, for example, the decline in the sales of motor cars which in 1974 reached the lowest rate for 12 years except for the long strike of 1970, can be explained in part by the inability of producers to shift resources towards manufacturing lower petrol consumption models as rapidly as the change in consumer demand. Furthermore, the size of the recession was increased by the initial existence of excessive stocks.

fundamental point

The mechanism whereby attempts to reduce the rate of inflation lead to temporary but perhaps prolonged increases in unemployment illustrates a fundamental point that the effective functioning of modern industrial economies depends much more than is generally realised on reasonable predictability of the value of the monetary unit in which contracts are drawn and savings and investment plans are formulated. If the rate of inflation is uncertain, planning for the future becomes more difficult, and scarce resources have to be devoted to attempt to forecast the rate of inflation.

It is not, however, only attempts to reduce the rate of inflation that can lead to unemployment. The very process of inflation itself, in societies accustomed to reasonable stability in the value of money can have adverse employment consequences by increasing uncertainty, especially if nominal price movements conceal the true course of important economic variables.

For example, current accounting procedures based on historical costs, a procedure which implicitly assumes a stable price level, do not recognise the increasing costs of replacing assets due to inflation and thus result in recorded profits that are artificially high and hence exgerate the 'availability of internally nerated funds.

Nominal pre-tax profits are thus not ways a correct indicator of the state f individual businesses, and neither are esults comparable over time, owing to ie influence on real results of fluctuaions in the value of money. Furthernore, comparisons between industries nd firms at a particular point in time an be misleading because of different ixed asset and inventory positions. With axes based on nominal recorded profits, nd investors unsure about the true finanial position of individual companies nd hence cautious regarding the purchase of financial claims, many firms have been caught in a liquidity squeeze with adverse effects on output and employment. This squeeze was aggravated in many instances by political pressure on governments to protect sectors of the community from the effects of inflation through the control of prices, rents, etc.

IV

WHAT TO DO?

There is a great danger that governments will yield to pressures for premature reflation in order to combat the rising unemployment that inevitably accompanies anti-inflation policies. When expectations of inflation are firmly held, however, reducing inflation to acceptable rates is necessarily a long and costly affair; and a reversal of policy would simply risk a further acceleration in inflation in exchange for a purely short-term drop in the unemployment rate. What, however, can be done to alleviate unemployment without at the same time encouraging another upsurge in inflation.

If certain countries decide to reflate either because they feel that they have achieved a low rate of price increase with little danger of re-acceleration, or because they simply wish 'to do something about unemployment', then their trading partners will certainly benefit through the stimulus given to output and foreign trade.

Reflation however, while attractive to third countries, through the easing of national balance of payments constraints, clearly risks recreating world inflationary conditions and associated problems, particularly if the reflating countries formulate their economic policies in a vacuum. But the maintenance of the existing system of managed floating offers a better chance of control in this respect. Domestically, an announcement similar to the undertaking by the Chairman of the US Federal Reserve Board that the growth of the US money supply would be kept in the 5-7½ per cent range in the coming months, should reduce inflationary expectations and so reduce the increase in unemployment resulting from any given reduction in the growth of total spending. So would the 'indexation' of wage rates through the adjustment of wages to be realised rather than the expected rate of inflation, thus making inflationary expectations irrevelant to wage settlements.

An incomes policy might also help by influencing behaviour in making wage and price decisions. For example, it is sometimes argued that workers press for higher money wages in attempts to secure increased real wages and fail to recognise that the associated rise in prices will leave real wages unchanged. By showing the inter-connections on a national level between movements in wages, productivity and prices, an incomes policy could have an important educational function and modify any inflationary bias in wage bargaining.

In addition, changes in the terms of lending would help to encourage a healthy capital market and provide f with adequate investment capital. example, variable interest rate finan has become increasingly common o to the recent high and fluctuating r of interest in most industrial coun which have reflected high and vari inflation rates. Views regarding future course of inflation, and hence inflationary premium to be added to l rates, have changed frequently. In t circumstances, there has been an un standable reluctance on the part of b nesses to undertake fixed long-t commitments which would lock them i high interest rates for the life of agreement. Such financing is favou because it reduces risks to both lenc and borrowers from changes in the r of inflation. This type of financing play an increasingly important role in financial world.

Sources and acknowledgements: T foregoing summarises an exclus report in the latest issue of *Barcla Review* (published by Barclay's Bank, Lombard Street, London EC3P: 3A but the bank is not responsible for wording nor my interspersed co ments.

RECORDS AND STATISTICS

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Trying time ahead

E.B. Brook, Vienna

SE ARE trying weeks for many in t Europe. The promise of improved netary stability that appeared from ferences of world leaders at Ram-illet, near Paris, last December and Jamaica in January has proved sive. The great west European anisation, the European Community Common Market, has revealed at xembourg that it is not even yet pre-red to take further steps towards ity and that the distance between its mbers has grown and is still growing der.

Of the two disappointments the first the greater. For long, not much has en expected of the Market—the greater ne is a cumbruous, self-contradictory ccessor of the once impressively and clusively united Six. The world can ford to wait while the disunited, emingly incompatible Community rts itself out. But it cannot afford wait very much longer while curren-es lose substantial parts of their value d public confidence in money as such egins to vanish. Precisely that is eginning to happen and over a wider rea than before.

collapsing lira

Italy, with its collapsing lira, is no lon-er merely a sour joke. Dangerously simi-r is the position of the British pound hich daily sinks on the international ex-hanges. Since the first week of January the talian lira has depreciated nearly 25 per ent in relation to the dollar, the British ound has lost almost 10 per cent and he French franc about six per cent. The peculative attack on these currencies ases temporarily only to intensify again.

Were world currencies still tied to the igid Bretton Woods system of fixed-arity relationship there would be an tmosphere of crisis. The relative calm vith which politicians and bankers can egard the steady decline of their cur-encies — a calm not shared by all their ellow citizens — arises from the machinery of floating rates which adjust promptly the value of currencies in the foreign exchange markets to the facts of a country's basic economic trends. The sad fact is that these trends are constantly of decline and exhaustion.

This comparative calmness in the face of increasing calamity cannot continue for long. There is not only disappointment that genuine international efforts fail to provide more assurance for international currencies of long repute but concern that countries such as Britain and Italy have begun to yield rather than fight back, that they are directing their fiscal and monetary policies to respond to internal political problems rather than to defend their own currencies.

fiscal weakness

What lies at the root of west Europe's present anxiety, and uncertainty that affects or could affect all who trade with this area, which is everybody, is the fear that nations with falling currencies will, as a last resort, seek to use their fiscal weakness as a weapon. Neither the British nor the Italians appear to have controlled significantly the high levels of inflation they experience in their economies. There are political risks to governments, even to political system, in taking the rampaging bull of inflation by the horns. A severe clamp down on spending at home, a really significant profits and wage freeze and compulsory lowering of interest rates would put both London and Rome, and possibly Paris, in danger.

The treacherous alternative is to keep control to the minimum and to use deep currency depreciation to gain competitive trade advantages against commercial partners of all types, Increased trade resulting from cheaper sales abroad would improve home trade returns to aid the overall economy — but what about the trade partners, many of whom have severe payment problems of their own ? Is the defence against possible internal disquiet to be increased difficulty in already excessively stressed markets ? Is the risk of a new tariff war and the collapse of the GATT system and the new round of tariff talks to be taken to fend off immediate fiscal, social and political dangers?

areas of hope

There appear to be two areas of hope in this situation. The first is that countries weakest of all in international commerce — the industrially developing states — are due this year to begin to receive some financial benefit from the sale of 25 million ounces of gold by the International Monetary Fund. These sales will probably begin in May in Basle and may extend over four years at fairly long intervals in order to avoid depressing the gold market prices. If the price were depressed the greater part of the IMF's sale operation would, in every sense, be a wasted effort. Since the sale is to be gradual the benefit will be gradual also but there should be steady additional income for some years for the world's neediest and most vulnerable traders.

The second source of hope comes also from the International Monetary Fund which has proposed a comprehensive new set of rules for the world's monetary system. These new rules, which require ratification by IMF member governments, aim to abolish the official price for gold and to remove existing restrictions on the purchase or sale of gold at market-related prices by governments or central banks. They would also set up a new IMF investment account which could invest surplus IMF funds in interest-bearing securities of governments and international agencies. These new rules would also require the IMF to "exercise firm surveillance over the exchange rate policies" of its 128 member countries.

To some extent the newly redrafted rules do no more than confirm changes that have already taken place in the world's monetary system. For the rest, e rules seek to give member countries freedom of choice but not a freedom of haviour in selecting and managing eir exchange rate.

Drawn up after several years of ne- otiations on international monetary forms and finally worked out during the inance ministers' meeting last January Jamaica,the new rules appear designed deal with or prevent just such a situa- on as at present prevails in the foreign xchange markets.Fear of social and poli- cal disorder,fear of communist partici- ation in government or of loss of valued ssistance from wealthy non-communist ountries if communists were accepted in- o government, have all kept Italy from ollowing a healthy economic and mone- ary policy. Things have been allowed to lide for years to keep the peace at home nd keep urgently needed help still flowing from such valued sources as the USA and West Germany.

The Italians are afraid to face the political fact that their Communist party is the strongest (and most capable) political power in the land. Every possible permutation of political party grouping has been tried to keep them from a share in governing. Similarly, in Britain, the government has for years bargained with strong political and economic forces outside Parliament in a determined effort to retain office or, more precisely, to prevent the conservatives from gaining it. The political ills of domestic economies, leading to incurable inflation, have ruined one currency and ominously threaten the other. The French franc, the sick noney of Europe in the '20s, is itself not without internal threat and lack of government courage that make it quite unneccesarily the third ailing m European currency.

If 77 out of the 128 governm constituting the IMF's member approve the draft new rules within next 12 or 18 months that valuable in national body will have a machiner encourage the timid, stir the slack bring the reckless to a halt in letting t monies run to worthlessness. controlling group would be a grou about 20 Finance ministers and cen bankers who would keep natio financial behaviour within responsi limits and retain a permanent duty of ke ing the delicate machinery of moneta reform in tune with requirements as t arose. At present, too much time required to put financial circumstan in order instead of using it to forewa and forearm nations against moneta weaknesses.

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TRADE WINDS

delines for Foreign s

GUIDELINES for implemeation of the Foreign ange Regulation Act have modified so as to rationnd, in some cases, lower bligation of foreign coms to reduce their equity ngs. Official sources have d that the amended guidedid not in any way titute a dilution of the provisions. On the con, they amplified and fied certain points which not been fully covered in original Act. The new elines entitle multi-activity panies to lump together priority sector production exports in calculating the unt by which they have to ce their shareholdings.

n Feature

he other main feature of the ouncement is the creation n intermediate level of 51 cent foreign equity, between original extremes of 74 per and 40 per cent for erent types of activity. The aims at channeling the vities of foreign firms into priority sector and exportnted ventures. In the inal form it laid down that y foreign firm would have educe its equity to at least per cent. Firms engaged in priority sector, either wholly to the extent of at least per cent, would not have ut their holdings below 74 cent. This level of foreign reholding would also be mitted for firms exporting per cent or more of their put. Foreign companies not forming to these requirents would be persuaded to ersity and alter their ivities accordingly. If they failed to do so, they would have to reduce their equity to 40 per cent.

The original guidelines did not consider the case of multi-activity firms, partly engaged in priority sectors and also exporting some of their output of non-priority lines of manufacture. There was no way of clubbing together these factors, though both were recognised by the government as being desirable. To rectify this lacuna, the government has now permitted this type of clubbing with the proviso that if the combined amount accounts for 75 per cent or more of a firm's output the foreign shareholder will be permitted an equity holding of 74 per cent. If the combined amount comes to between 60 per cent and 75 per cent, of which exports constitute at least 10 per cent, the foreign party can have a shareholding of 51 per cent. If it fails even to hit the continued 60 per cent mark, it will be forced to reduce its equity to 40 per cent.

Graded System

Official sources stated that the new guidelines had a graded system of permissible equity instead of the very sharp choice of either 74 per cent or 40 per cent, as formerly. This would prove an inducement to foreign companies which could not reach the combined target of 75 per cent for exports and priority output but could aim at the lower target of 60 per cent. The new amendments will not apply to the drug industry, which will have to face all the rigours of the original guidelines. Firms engaged in areas of high technology will, as before, be entitled to 74 per cent equity. There will be a certain amount of flexibility for export-oriented companies, and depending on the percentage of export the amount of permissible equity can be raised. A company exporting 100 per cent of its output can have 100 per cent foreign equity. Whenever a foreign company is asked to change its activities so as to conform to the new specifications, it will be given one to two years to accomplish the transformation. If it fails to take the appropriate action, it will be forced to cut its equity to 40 per cent.

Trade with Soviet Union

The new long-term trade agreement between India and the Soviet Union for 1976-80 was signed on April 15, 1976 providing for an increase in the total trade turnover to Rs 965 crores by 1980. This is more than double the level of Rs 412 crores achieved in 1973. Thus the new agreement fulfils the declaration made during the Brezhnev visit in 1973 that bilateral trade should be increased by 50 to 100 per cent by 1980. The trade agreement has not allowed for the impact of several production co-operation programmes which are currently under discussion. After their finalisation, it is hoped that the trade will exceed Rs 1,000 crores by 1980. Of this, India's exports will be Rs 600 crores and imports Rs 400 crores. The new trade projections have been worked out at 1975 prices. To the extent there is inflation, the projections will be adjusted accordingly. The agreement was signed by the Commerce minister, Prof D.P. Chattopadhyaya, and the Soviet Foreign Trade minister, Mr N.S. Patolichev. Both ministers stated during their discussions that the two-way trade in 1975 was more than Rs 700 crores.

The agreement provides for the continued payment in rupees for all goods through a single clearing account. Over the next five years, goods supplied by the USSR to India will include oil, drilling equipment, kerosene and diesel oil, fertillisers, non-ferrous metals, asbestos, sulphur, newsprint machinery and components. It has been agreed that the two countries will cooperate in exports to third countries. A start has already been made with the supply of electrolyser buckets to Yugoslavia. India will sell the USSR items like tea, coffee, spices, oilcakes, leather, shoes, garage equipment, strorage batteries, electronic instruments and components, cables, drugs, pig iron, freight containers, aluminium foil, wood veneers and telecommunication cables. A feature of the agreement is the provision for the 1973 Soviet wheat loan to be repaid in the form of goods.

Trade Agreements

The first five-year trade agreement between the two countries was signed in December 1953. It brought in the concept of rupee trade for the first time. In this period trade got off to a modest start. During the second such five-year agreement, turnove rose to Rs 380 crores, while the 1966-70 period saw a phenomenal growth to Rs 1,430 crores. In the fourth agreement which expired at the end of 1975, trade totalled Rs 2,275 crores. During this period there was a big change in the trade pattern, with India becoming increasingly self-sufficient in machinery and equipment and emerging as an exporter of industrial goods.

Growth in LIC

The Life Insurance Corporation has completed individual new business of Rs 2,117 crores in 1975-76 as compared to Rs 1,772 crores in the previous year, registering a growth of 19.5 per cent. This business has been done under 2,014,491 policies as against 1,795,555 policies in the previous year showing a growth of 12 per cent. The average sum assured per policy has increased from Rs 9,807 to Rs 10,464. The corporation as also recorded an impres-ive growth in its group ortfolio by writing Rs 3,270 rores as against Rs 1,341 rores of new business during he previous year. This hows a growth of 143.9 per ent in its group portfolio, made possible by the specta-cular work done in getting all he armed forces covered under hese schemes and adding a group insurance policy cover-ng over four lakh UP government employees. The total number of lives covered both under individual and the group business numbered 4,309,580 as against 2,716,824 in the previous year. Thus, in the 20th year of its working, the LIC has completed a total business of Rs 5,387 crores as against Rs 3,113 crores brought in during 1974-75.

Results Impressive

Releasing the new business results Mr R.B. Pradhan, chairman of the LIC, stated that the Corporation's results in 1975-76 were impressive in the background of the competition in the saving field. As the corporation had to face a number of problems in 1973-74 and 1974-75, its growth in the year under review had more than made up for the slow pace, he added. Bombay, as usual, occupies the premier position on the basis of volume of business, having brought in Rs 222.43 crores, followed by Calcutta with Rs 120.36 crores. In terms of growth in western zone, the Surat division comes first with 29.2 per cent and Poona second with 23.2 per cent. In terms of number of policies, the maximum increase is shown by the Jaipur division with a growth of 50.3 per cent.

The major contribution to the group insurance cover came from the defence services and the UP government employees. During the year, group insurance schemes were introduced for bidi workers in Maharashtra, cashewnut workers in Kerala as also for municipal corporation staff including conservancy staff in Lucknow.

Convention of Public Sector Units

The first national convention of Public Enterprises was held in New Delhi recently. The conclusions and recommendations of the convention, which was attended not only by the chief executives of the public enterprises but also the secretaries to the government concerned, were left to be carried on to the government's Bureau of Public Enterprises (BPE) and the Standing Conference of Public Enterprises (SCOPE). At the very outset the need for a declaration of the objectives of the public sector in the national economy was emphasised and which would also then be the "yardstick" by which these enterprises would be judged. For its part, the convention saw the most important role of public enterprises to that of promotion of development for social gain and of products of "strategic nature to achieve essential self-reliance and reduce imports to the minimum" while it thought the public sector "should also progressively enter into consumer industry on a selective basis".

Generate Surpluses

It was emphasized that public enterprises should be run profitably and generate surpluses both for their own growth and for the public exchequer, but that for assessment of their performance, more than profitabiltiy, the achievement of objectives should be the basis, taking into account the fact of their having to undertake development of backward areas, capital-intensive projects bearing fruit after a long time and "non-profitable" services, besides having to be "model employers". Each undertaking should, therefore, have a "corporate plan" clearly defining the objectives set for it. The government, as the owner, had the right to lay down these objectives (in association with an enterprise), approve major capital investments, make top appointments, issue directions (again in consultation with the undertakings) on wages and prices policies and call for appropriate information on operations, but a convention had to be evolved for day-to-day management, was left to the undertakings themselves.

Sale of Aluminium Simplified

Allocation procedures for all end-users of levy (EC Grade) aluminium, both in large and small sectors, have been totally dispensed with. The primary producers of aluminium will now be allowed to supply the metal to all end-users as required. This decision has been taken by the government in view of the record production of aluminium in the country. The government have also decided that the DGTD and the Development Commissioner, Small Scale Industries, will keep a watch on the off-take of levy aluminium, particularly in respect of metal used in the manufacture of cables and conductors for supply to state electricity boards. Further that an additional 15,000 tonnes of non-levy aluminium, the form of ingots billets, will be permitted for export in 1976-77.

This simplification of the procedure for sale of aluminium has been done after reviewing the likely requirements for domestic consumption in the current financial year, and the anticipated production. In view of the increased production of aluminium, and with the easy availability of EC Grade aluminium used mostly in the manufacture of cables and conductors required by the state electricity boards, the government had earlier announced on February 10, 1976, simplification of the procedure for the sale of levy (EC Grade) aluminium. The aluminium producers were authorised to sell such metal to the large scale sector (DGTD) units licensed to manufacture cables and conductors without fo allocation orders required. This simplified cedure was extended by other announcement on M on 1, 1976 to the sale of (EC Grade) aluminium d March and April this to the small scale sector units engaged in the m facture of conductors requ by the state electricity bo In 1975-76 there had be record production of a 187,000 tonnes which wa per cent increase over production in 1974-75 and highest annual productio far. The capacity utilisa of the aluminium smelters subsequently increased round.

New Aluminium All

Copper, which has held sawy in the electr industry, is now being chal ged by a new alloy develo by scientists at the Natio Metallurgical Labora (NML) at Jamshedpur. NML aluminium alloy, i claimed, can replace expen imported copper used electrical machines, mot transformers, magnets, t communications, powerli and household wiring. Sev millions of rupees in fore exchange are expected to saved and the country's cop resources conserved by new aluminium alloy, nar NML-PM2. India impor some 55,000 tonnes of cop in 1972-73 at a cost of ab Rs 640 crores, the bulk o for the electrical indus

The NML copper substit has created a stir abroad a scientists from Britai National Research and De lopment Corporation (NRD visited NML to study technique and assess its su ability for the British elec cal industry. According Dr Kumar, applications patenting the new alloy h been filed in India, Brit and the United States. Cla ed to be the "only availa universal substitute of c per", NML-PM2 is said to a strong alloy. thermally sta up to 200 (C) with a h of corrosion resis-

e Industrial Development of India (IDBI) has set separate international which will provide im- d and wider financial and ory services to engineer- exports. Disclosing this Raghu Raj, chairman of , stated that the wing d, in fact, function as an t bank to boost exports. aghu Raj was addressing eting under the auspices he National Alliance of ng Entrepreneurs (NAYE). aid IDBI had also launch- new scheme of contribut- towards the promoters ty for projects of techni- entrepreneurs and hold share of equity in trust l the promoters were able buy it back. This would pplicable to its directly nced projects. Mr Raj said I would also encourage the e financial corporations initiate such schemes by ring re-finance assistance.

C

The Damodar Valley Cor- ation made a record profit Rs 11 crores in 1975-76. pite an increase in fuel ts and a drop in earnings n sale of power, DVC had Rs 48 lakhs in 1974-75. G. Jagathpathi, DVC airman, pointed out that uding the net surplus the poration raised Rs 19.5 res from internal resources a total investment of Rs 24 res in 1975-76. He said rnal resources may provide 26.70 crores for the appro- l investment plan of 30 res for 1976-77. At pre- t, DVC had no plan to rease the power rate, he d. The two main units at karo and Durgapur were ng overhauled but this was t likely to affect supply since andrapura unit 1 and five ich had developed some uble would resume genera- n by the first week of May. ecial spares had been air- ighted to repair Chandra- ra unit 1. Bokaro unit r and the second Durgapur it were also expected to be ready by the end of this month. Mr Jagathpathi pointed out that the construction of two new units, Chandrapura six and Durgapur four was progressing according to schedule.

Development of Technology

The development councils are being activated to fill the technology gap. several commitees under each development council have been set-up to make detailed plans along with action programme. Secretary of the department of technical development stated recently that the development of such technologies along with standardisation in materials and products would reduce costs of production and would lead to reduction in prices also. Some progress have already been made in some fields such as copper wires where some 2,000 varieties that were in the field had been reduced to about just 300. The development coucils are also preparing long-term production plans. Chairman of the development council for automobile industry Mr Raul Bajaj pointed out that all the earlier production targets for the automobile sector have been drastically revised and cut down in tune with the structural change in demand that had come about because of the oil crisis. The report on the revised targets would be submitted to the government soon. The target for commercial vehicles has also been cut from 80,000 to 66,000 by 1978-79. The target for cars has been cut from 160,000 to just 4,0000 and tractors from 80,000 to 52,000. These targets have been fixed on the assumption that the present relative price of petroleun products will remain as at present.

Subsidy for Engineering Exports

The commerce ministry has decided to take into account promotional cost for tapping new markets while determining the quantum of cash compensatory support for engineering goods. This new criteria will be considered by the minister while reviewing the cases of those engineering items for which cash assistance has been restricted to a three-month period upto June, 1976. The decision to allow cash assistance just for three months had disappointed exporters in as much as they feel the uncertainty would hinder the pace of contracting. The ministry has however, assured exporters that the decision on either continuance or changes in the rates of cash subsidy will be announced well before the expiry of the three-month deadline.

Growth of Heavy Industry

The export orders for the current year with the 16 public sector undertakings under the department of Heavy Industry at Rs 90 crores are double that of last year. They would have been much better, but for the inability to offer easier credit facilities, than other foreign competitors. The union minister of state for Industry and Civil Supplies, Mr A.C. George stated that, though the Indian quotations were less than half, the foreign competitors were having an edge because of easier payment terms being offered. He said that though the overall order book position for the current year was satisfactory, greater efforts might have to be made to maintain the position in the later years.

Mr George pointed out that the 16 public undertakings, which included the Bharat Heavy Electricals, the Heavy Engineering Corporation (HEC) the Hindustan Machine Tools (HMT) had increased their total production by 32 per cent in 1975-76. The production at Rs 751 crores achieved 97 per cent of the increased target for the year. If the price escalation of 7 per cent was taken into account the absolute increase was about 25 per cent. Encouraged by the achievement, the target for the current year had been fixed at Rs 850 crores. The profits of these undertakings put together amounted to Rs 46 crores in 1975-76 compared to Rs 31 crores in the previous years. In 1972-73 these undertakings were making losses.

In 1975-76 the Bharat Heavy Plates and Vessels continued to run on loss. Among those sick engineering units that had been taken over, only Jessops had turned the corner, with Rs 12 lakhs profits. The capacity of the wagon building industry at 29,000 wagons was still to be utilised fully. Efforts were being made to diversify their production but it was a time consuming process. The total exports of these undertakings in 1975-76 were Rs 18 crores. A significant development in the export field was the joint venture proposals by the Hindustan Machine tools in Philippines, Indonesia and Sri Lanka.

Texmaco Cuts Wagon Output

TEXMACO, which now accounts for a third of railway wagon production in the country, is planning to reduce its production of wagons. This was stated by Mr R.C. Maheshwari general manager of the company. He stated that the railways might have their own reasons for not placing orders for wagons in an adequate quantity. He admitted that the turn-round of wagons had improved and the number of wagons falling sick had also gone down. He added that TEXMACO was going in for the production of coal mining equipment and road-rollers. It was already producing sugar machinery. According Mr Maheshwari there will be substantial demand for it in coming years. The company was expanding into other fields also. All this would be done by installing some balancing equipment and without spending huge sums of money.

Silver Export

The State Trading Corporation has resumed silver exports. It has already put through a business of over Rs 50 lakhs in just a fortnight from April 1, and it has plans to raise exports to Rs 15 crores this year against Rs 5 crores last year. Silver exports are taken off from the OGL list and the centre has decided to allow exports only from ports of Bomboy, Calcutta, Madras and dryport of Delhi from April 1.

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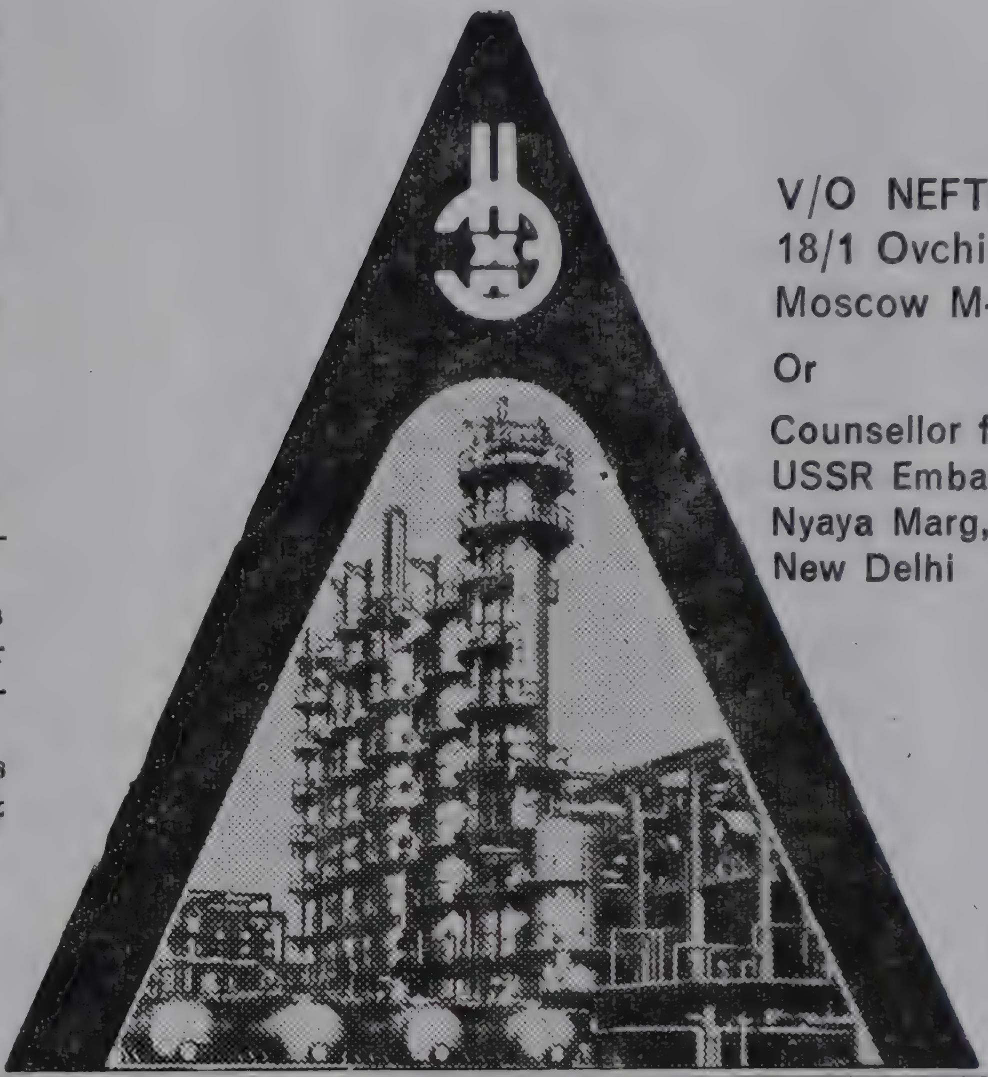

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COMPANY AFFAIRS

lips India

IPS INDIA, which has mained its proud record of prosive rise in sales and profits the past several years, has ered a setback in its work- during 1975 largely due he very difficult business litions which prevailed ing the year. The directors e however maintained the dend at Rs 0.95 per equity re. Out of the proposed dend, Rs 0.41 per equity re will be paid immediately le the balance will be paid two equal instalments deferred basis. The ual general meeting to prove the accounts and the posed dividend will be held June 15. The register of mbers will be closed from ne 2 to June 15, both days clusive.

uggish Demand

Consumer demand for most the company's products nained sluggish during the jor part of the year. Conquently the company's sales re down at Rs 59.20 crores against Rs 61.56 crores 1974. The gross profit before , but after charging for preciation and interest, too clined steeply to Rs 5.11 ores from Rs. 11.50 crores 1974. The appropriation to preciation reserve amounted Rs 2.00 crores as against s 1.75 crores in the precedg year while a sum of 2.02 crores was provided for erest charges as compared Rs. 1.10 crores in 1974. xation absorbed Rs 3.60 res Rs 4.10 crores less than the earlier year. The setback profits was mainly due to gher raw material and erating costs and because of duction and sales which led a lower recovery of fixed penses.

After adjustment the directors have allocated a sum of Rs 0.2 million to development rebate reserve as against Rs 2.5 million provided previously while the allotment to debenture redumption reserve was maintained at Rs 1.0 million. The transfer to general reserve amounted to Rs 7.2 million. Despite the recession in the world the company succeeded in selling Rs 31.6 million worth of its products overseas as against Rs 33.5 million in 1974.

Baroda Rayon

Baroda Rayon Corporation has suffered a sharp setback in its working during the year ended December 31, 1975. Although its sales went up sharply to Rs 30.43 crores from Rs 19.51 crores, gross profit recorded a steep decline to Rs 1.74 crores from Rs 3.96 crores in 1974. After providing for depreciation, development rebate reserve, interest charges and making other adjustments, the working of the company during the year has resulted in a net loss of Rs. 32.01 lakhs as compared to a profit of Rs 63.08 lakhs in 1974. In view of the loss and dividend restrictions the directors have skipped the dividend both on preference and equity shares.

Industrial Licence

The Company has received an industrial licence to increase the capacity of its nylon plant from 1800 tonnes to 2100 tonnes per annum, and within this overall licensed capacity of nylon yarn, the company has been licensed to manufacture polyester filament yarn up to 360 tonnes. The nylon plant has already achieved the expanded capacity from internal resources. The company has commenced production of polyester filament yarn from polyester chips from April 1976. It propose to put up a polycondensation plant shortly for the manufacture of polyester chips directly from DMT. An Industrial licence has also been received by the company for the manufacture of 2,000 tonne of nylon tyre cord. The company has further been permitted to convert 1,000 tonnes of tyre yarn into tyre fabrics. The company has made initial payment to its collaboratoss M/s Unitika Ltd., of Japan. It has also concluded the contracts with the foreign suppliers for the major supply of machinery and equipment. The financial institutions and commercial banks, have agreed in principle to extend financial assistance for this project.

UP State Ind. Dev. Corporation

UP State Industrial Development Corporation (UPSIDC) which came into existence in March 1961 has grown by leaps and bounds. From an initial subscribed share capital of Rs 25 lakhs it has now increased its subscribed share capital of Rs 8.48 crores. Where only 10,000 acres could be developed in 13 districts over the last 15 years, it is proposing to develop 4000 more acres within the next two years in 10 new districts. Where its functions were limited to only development of industrial areas, joint sector projects and Underwriting, to-day UPSIDC is enlarging its scope and spreading in many directions.

Till now the UPSIDC has developed land only in terms of building, approach roads, internal drainage and getting electric/power supply. This was obviously inadequate. Therefore, UPSIDC has nov turned to the view that a tota package of facilities should b available to the entrepreneur setting up their units in it industrial areas. With thi end in view, UPSIDC has now started constructing Commor Utility Complexes which wil contain facilities such as, banks, post offices, telex, police outpost, commercial establishments, guest rooms etc.

Till 1975-76 the Corporation has invested a sum of Rs 11.54 crores on the development of infrastructure. During the coming years, it is proposed to step up the pace of development.

Joint Sector Projects

The other important function which the UPSIDC performs in setting up joint sector projects. The Corporation has so far obtained letters of intent/registration with the DGTD in respect of twenty projects. At the moment two projects are already in production, one being in the hill district of Almora. Seven other are in various stages of implementation. Negotiations with various parties for 10 other projects are in progress. The normal equity pattern is 26 per cent for UPSIDC, 25 per cent for the collaborator and 49 per cent of public, but there is flexibility in approach depending upon individual cases. In fact the Corporation has enlarged the scope of its activities by participating in the equity capital of companies as a minor partner.

The Corporation grants underwriting facilities to units coming up in the state. So far underwriting has been granted by the Corporation to 73 companies in which an investment of Rs 501.44 lakhs is envisaged to be made by the Corporation. The Corporation has gone into a few new lines of activities. With a view to stimulating industrial activity in some selected backward areas, the Corporation is sponsoring Industrial Complexes of Small Scale Units. The lines which have been identified include among others: Textiles, automobile arts, forest-based products, lcohol etc.

Somany-Pilkington's

The board of directors of Somany-Pilkington's Limited has recommended issue of bonus shares to the equity shareholders by capitalising the reserve of Rs 30 lakhs. Bonus shares is proposed to be issued in the proportion of one fully paid equity bonus share for one existing share. An extraordinary general meeting of the company will be held on May 15, 1976 in order to seek approval of the shareholders on the bonus share issue.

It is one of the rare cases where a company starting production in March 1972 has issued a bonus of 1:1 in first 4 years. The company has already completed its first phase of expansion by doubling the capacity from 5400 tonnes to 10000 tonnes per annum, and are now engaged in raising the capacity further to 21,000 tonnes per annum.

MICO

The millionth multi-cylinder fuel injection pump, a high-precision device which can be described as the heart of every vehicular diesel engine, was presented on April 14 to M. A. Sivasailam, chairman of the Simpson group of companies, to whom the first MICO multi-cylinder fuel injection pump was supplied 20 years ago. On this occasion, Mr D.N. Vatcha, vice-chairman of Motor Industries Co Ltd, said that both the companies had striven to promote the country's self-reliance in the diesel engine industry. The manufacturing programme of MICO includes several types of multi-cylinder fuel injection equipment used on vehicular, tractor and industrial diesel engines. The range of multi-cylinder pumps covers engines having 2 to 6 cylinders.

In addition to meeting the country's requirements of multi-cylinder fuel injection pumps, MICO has been exporting such pumps on an increasing scale, mainly to original equipment customers in the developed countries. Nearly half of all multi-cylinder fuel injection pumps manufactured by the company are being exported. This has been made possible to a large extent by the high quality standards which the company has consistently striven to maintain. The collaboration with Robert Bosch GmbH of Germany has enabled the Company to have the latest techniques of manufacture and quality control in the factory. With the progressive growth of MICO's manufacturing facilities, a very high indigenous content has been achieved.

Voltas

Voltas Limited has exported the country's first comprehensive sprinkler irrigation system, earning abou tone million rupees in hard currency. The system consists of various items including nozzles, irrigation tubings, tripods, pumps and electrical panels. The project was executed in a record period of seven weeks—from drawing-board stage to the final airlifting of these item to Muscat.

Voltas engineers will install and commission the new system, the first of its kind in the Sultanate of Oman. With this order, a new avenue for Indian expertise in agro-engineerig and water management has been established in export markets. More orders are expected shortly.

Guest Keen Williams

Guest Keen Williams has reported impressive improvements in its working results during the 53 'week period ended January 3, 1976. Turnover during the period under review recorded a smart rise to Rs 80.55 crores, registering an increase of as much as Rs 5.45 crores over the corresponding period of the previous year. The net profit, after providing the depreciation and taxation, too was appreciably higher at Rs 1.56 crores as against Rs 1.19 crores in the earlier year. The appropriation to depreciation was reduced to Rs 3.86 crores from Rs 6.79 crores while the allocation to taxation was lower at Rs 2.56 crores as compared to Rs 3.89 crores a year ago. The directors have proposed an equity dividend of 16 pe for the year.

Dunlop India

The provisional resu Dunlop India Limited f year ended Decembe 1975, indicate that tot come for the year Rs 167.44 crores. This w per cent higher than th vious year due to a sl higher volume of produ changes in the product mix, and the full year i of revisions to selling made in 1974. Profit b tax for the year amount Rs 8.51 crores.

Reports have recently peared in the press to the that the company' prop issue of bonus shares i ratio of one for three has accorded government proval. The company w to clarify that this app dated February 21, 1976 subject to the fulfilmen certain conditions by M 31, 1976. The Comp proposals are, however, being considered by the go ment, and the company asked for an extension of

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Eastern Economist 30 Years Ago

APRIL 19, 1946

Recently there has been a spate of literature regarding the rehabilitation of agriculture in this country with particular stress on the necessity for improving the yield of food crops. Apart from the programmes of the Congrees working and Provincial Committees, which, by the way, emphasize more on conservation and procurement of the existing stock of cereals, there is the "Food Plan" published under the auspices of the Royal Institute of International Affairs, which was reviewed some time back in these columns, It is true that the challenge presented by the Indian population and food production has engaged the attention of many public bodies and individuals here and abroad and baffled not a few, but we are afraid it has been reduced almost to a platitude to suggest the remedy as an increase in the food production and having suggested that look abroad for international help. The Five-Year Food Plan of a Sub-committee of the National Planning Committee, published recently in the form of a resoultion, is refreshing at least on account of its practical approach to get the plan going, if not for anything else. Giving a 15-point programme covering practically all the important aspects of agriculture, the Committee lays stress on the formation of agricultural co-operatives, particularly for bringing uncultivated land under the plough, upon improving agricultural and fishing techniques and upon planned breeding as a means of increasing the supply of animal foods. Particular reference has been made to the archaic methods of fishing that exist now and the pitiable misuse of cattle by being employed for ploughing, haulage and transport as well as milk production, which in the words of the Committee, serves neither object satisfactorily. While the statement of the problems and the assertion that they should be remedied may be nothing new, the declaration that import of food need not be necessary if resources were properly developed (and the Committee sets to develop in within five years) is worth attention.

l March 31, 1976. In circumstances there will slight but inevitable delay nalisation of the 1975 al report.

t Trust of India

e Unit Trust of India has unced a temporary suspension of sale of capital units effect from the close of ness on April 21, 1976. capital units introduced January 1, 1976 have ved overwhelming support the public. Till March 1976 sale of capital units egated Rs 6.57 crores un-15,704 applications.

scheme like this which sages doubling of capital years needs to be consolid by the investment of the s in suitable growth shares. s takes some time, and ce this temporary suspen-. The resumption of sale capital units will be annced in due course. Rechases of capital units l start from July 1, 1976.

ale of units under all other emes of the trust, viz. 4 scheme, children's gift n and Unit-Linked Insunce Plan, 1971 (ULIP) will ntinue as usual.

lews and Notes

The output of Tata ommercial Vehicles manuctured by the **Tata ngineering and Locomotive ompany** during the period nuary-March 1976, amound to 7,287 units as compared 6,543 units produced during e corresponding period last ear. The total output for the nancial year 1975-76 was 6,008 units as compared to 2,587 units produced during 974-75.

The School of Hotel dministration, Cornell Uniersity, will be holding a three-week course in hotel adminisration, the first of its kind in ndia, from May 24 to une 12 at Hotel Chola, Madras.

The course has been organied by the hotels division of TC Ltd with a view to increasing vitally-needed experise in the hoteliering and travel trades, with the larger objecive of enabling India to tap more fully the vast and growing source of foreign exchange that tourism offers.

The course will be conducted by senior members of Cornell University's school of hotel administration and certificates will be awarded by them. Eminent guest speakers will be drawn from the tourist industry in India and abroad. It is especially aimed at the middle and top cadres of the hotel industry, the travel trade and graduates of catering and craft Institutes.

A record output of Rs 126.9 crores against a target of Rs 112.8 crores has been achieved by the Bhopal Unit of the Bharat Heavy Electricals Limited during the last financial year ending March 31, 1976. This represents nearly 24 per cent increase in output over the previous year i.e. 1974-75.

Out of the 1391 MW of power plant produced during the year, 636 MW constitute the thermal and nuclear sets and 755 MW hydro sets. In addition, 1543 nos. of individual switchgear, over 1000 control and relay panels, 3,00,000 KVAr of HT/LT capacitors, 400 coupling capacitors, 108 power and special transformers, 800 instrument transformers, 600 traction motors, 150 traction and auxiliary generator: and 500 industrial machines were also manufactured during the year.

In the field of export, switchgear, control panels, industrial motors and transformers manufactured at the Bhopal unit were exported to Australia, Malaysia, Nepal and Tanzania.

Design and technology development work made further headway and a number of designs for new products have been successfully established. These include designs for motors for the oil rigs and tram cars, 400 kV current transformers; 750 KW generators for Indian Navy, vertical slipering induction motors for Rajasthan Canal Project and a higher capacity traction transformers for a new series of freight locomotives.

In the area of import substitution, 75 new items were developed indigenously in addition to the 500 items already in use. Import substitution of these 75 items has resulted in the foreign exchange saving of approximately 1.5 crores.

New Issues

Digital Electronics Ltd, which is engaged at present in the manufacture of strip chart recorders, will enter the capital market on May 5 with a public issue of 37,000 equity shares of Rs 10 each and an offer for sale of 42,800 equity shares of Rs 10 each at par to finance its expansion programme. The total capital cost of the project aggregating Rs 34 lakhs will be financed from the proceeds of the total equity issue of Rs 12 lakhs, including the shares already issued, an ICICI loan of Rs 12.50 lakhs and bank borrowings.

The company, which has been in the field of electronics for the past three years, has plans to manufacture higher-accuracy and better performance strip chart recorders and plotters to cater to the requirements of growing scientific, research and development activities. To obtain the know-how for the company's sophisticated products, it has entered into a collaboration agreement with Bausch Lomb Inc of USA which has been approved by the government.

The company has already acquired the necessary land in Bombay and the construction of factory building has been completed. The managemen expects to start trial productio by June and commercial production two months thereafter It expects to be able to pay a reasonable equity dividend two years after the start of the commercial production.

Keltron Component Complex promoted jointly by **Kerala State Electronics Development Corporation** and **Kerala Employment Promotion Corporation** will issue on May 5, 7 lakh equity shares of Rs 10 each and 20,000—11 per cent cumulative redeemable preference shares of Rs 100 each at par to raise a part of the finance for its Rs 5.42 crore project at Cannanore for manufacturing 18 million aluminium electrolytic capacitors per annum of industrial and consumer grades.

Aluminium electrolytic capacitors are the most widely used components in consumer and industrial electronics application. The company will be manufacturing this type of capacitors for the first time in the country. The company has an obligation to export 75 per cent of its production for the first five years. The foreign collaborators have offered to buy back under mutually agreed terms and conditions 6.48 million pieces in the first year and 10.8 million pieces in the subsequent four years, corresponding to 60 per cent of the annual production. Commercial production is expected to start by April 1977.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Bata India	Dec. 31, 1975	12.0	Nil
New India Industries	Dec. 31, 1975	15.0	12.0
Mysore Kirloskar	June 30, 1975	12.0	10.0
Alembic Chemical	Dec. 31, 1975	12.0	2.0
Same Dividend			
Alembic Glass	Dec. 31, 1975	10.0	10.0
Standard Batteries	June 30, 1975	Nil	Nil
Automobile Products of India	July 31, 1975	Nil	Nil
Cooper Engineering	June 30, 975	Nil	Nil
Reduced Dividend			
Oudh Sugar	June 30, 1975	6.0	12.0
Venkatesa Mills	Dec. 31, 1975	Nil	6.0

RECORDS AND STATISTICS

Import policy for April 1976-March 1977

THE IMPORT policy for 1976-77 was announced an April 14, 1976.

This import policy has been framed keeping in view the following objectives:

(a) To fulfil its role as an important instrument of achieving the national objectives of greater economic growth and industrial production;

(b) To facilitate the availability of industrial inputs;

(c) To provide essential imported inputs for enlarging the export production base as also a sustained growth thereof:

(d) To encourage import substitution by eliminating non-essential imports; and

(e) To streamline procedures so as to eliminate delays and to make these facilities available easily and expeditiously.

Important changes have been introduced through the new policy. The form and content of the consumption certificate have been revised. There are certain items which will no longer be needed to be included in the consumption certificate. Another important change introduced is the scheme for supply of selected canalised items directly to actual users by the canalising agency without any release orders. Additional facilities for import of samples, raw materials, components etc. for research and development are also being provided. For import of components, raw materials etc. in the Free Trade Zone as also for import of leathermachinery, Open General Licence facilities are being given.

I

Actual Users and Established Importers

Select Industries

The classification of "select" and "non-select industries which was introduced last year is being retained. Eight export-oriented industries such as coffee, tea, jute, cotton textiles etc. have been added to this list.

Automatic Licensing

The system of automatic licensing introduced during 1975-76 is being continued. Initial licences for imported inputs will be available without having to go through the sponsoring authority. Two additional facilities are being added:

(i) To provide flexibility, industrial units can now exercise a choice between consumption and licences issued as between two years, namely, 1975-76 and 1974-75; and

(ii) To enlarge the base for automatic licensing, the value of licences will be determined by adding the licences issued on actual user basis plus REP licences issued against own exports plus licences obtained as a nominee-manufacturer.

Automatic licences will be issued with the same modes of financing and for the same items as were covered by the licences issued for the previous licensing period. However, items which are not permitted during 1976-77 and those which will now be available directly from the canalising agency without release orders, will be excluded from the automatic licences/release orders.

Supplementary Licensing

The scheme of supplementary licensing will also continue. Units desirous of obtaining supplementary licences will need to apply through the sponsoring authorities and their applications will be considered by the Supplementary Licensing Committee. A new provision introduced this year is to extend supplementary licensing facility to such units in the non-select list where production during the previous year has been unduly low. Applications in such cases will be routed through the sponsoring authorities and will be considered on merits.

Import of Iron and Steel Items

A major procedural change has been introduced for import of iron and steel items. In respect of items which are not available indigenously and the import of which is canalised, the canalising agency, namely, SAIL International Limited will allocate raw materials directly to the actual users for their 12 months' requirements without the production of release order from the licencing authority. In respect of items which are produced mainly by the integrated steel plants, the Steel Authority of India will advise the actual users to approach the indigenous producers. In respect of items the import of which is allowed on a restricted basis, the actual users will make an application to the licensing authority who will issue the licence release order under the system of automatic and supplementary licensing.

Special Facilities for Small Scale Units

Units in the small scale sector will be eligible for the same facilities of automatic licensing and supplementary licensing as
applicable to the I
units. However, as a m
of further liberalisation
policy for this sector,
crease of 20 per cent w
made in the value of lic
release orders as com
under the automatic syst
licensing at the initial
itself. This will great
duce the need for the
apply for supplementary
ces. Individual cases
hardship will be consider
the special committee
the Chairmanship of
Controller of Imports
Exports, New Delhi.

Capacity Assessment

The present system of
city assessment on a single
basis will continue. A
measure of further facilit
the small-scale sector,
being provided that cap
assessment can be made
more than a single shift
where continuous produc
is involved or where the
dustry situation so warra
Such proposals will, howe
be considered only on the r
mmendation of the Deve
ment Commissioner, S
Scale Industries, New Delh

The mode of financing
grant of import licences to
units in the small-scale se
has been substantially libe
sed. They will now be ab
get licences up to Rs 50,00
free foreign exchange as aga
Rs 10,000 at present. S
scale units can also claim li
ces without reference to
sumption on a repeat basi
the value of the previous lice
release order is up to
50,000.

New units in the small s
sector could obtain licen
on the basis of 40 per cent
the value of installed machin
This limit is now being rai
from 40 to 50 per cent.
maximum limit is also be
raised to Rs 2 lakhs for
months in the case of se
industries and one lakh rup
in the case of others. The
sent limits are half of these.

Facilities applicable to sn
scale units set up by the en
neering graduates, ex-serv
personnel, science gradua
diploma holders in engineer

ill continue. Units set y persons belonging to uled castes and scheduled will from now get the facilities as applicable to set up in backward areas. e case of units belonging he above categories, the of initial licences will be lated at 100 per cent of the of machinery instead of er cent, as applicable dur- the previous year. The e facility for scheduled s and scheduled tribes is introduced for the first this year.

l exporting units, IDA stries, units set up in back- areas and those belonging to engineering graduates, ce graduates etc. will get ces at 75 per cent of their lement under free foreign ange and the balance under credit, subject to a mini- of Rs 50,000 under free ign exchange.

orts of Spare Parts

hough the basis for calcula- of licences for spare parts remain the same, the pro- ire is being immensely plified to avoid difficulties erally faced at the time of oms clearance. It is now g provided that clearance spare parts imports may be ined, on the basis of a aration given by the party firming that the items im- ted are apare parts and are uired for maintenance of machinery installed in his ory and for use therein. value limit for import of -permissible spare parts is g raised from 10 per cent 0 per cent of the face value licences, though the condi- regarding value of a single re part not exceeding Rs 000 will remain unchanged.

s a measure of further plification of procedure, lications for licences for re parts can be made with- any certificate regarding ticulars of machinery in session of the applicant accompanied by a copy of licence issued for this pose last year. Fresh licen- will thereafter be issued on repeat basis. Detailed list of machinery will be required only where no licence was obtained previously or where the actual user, for some reason or the other, is not willing to get licences on repeat basis. The present value limit of emergency spares is also being raised from Rs 25,000 to Rs 40,000 in the case of large-scale units and from Rs 10,000 to Rs 20,000 in the case of small-scale units.

Import of Non-permissible Spares

As a new facility, units belonging to non-select industries can also import non-permissible items including spares against their licences for raw materials and components up to 5 per cent of the value of their licences without endorsement of such items on the licence provided that the items are required by them for production.

Research and Development Facilities

A major simplification has been introduced to meet the requirements of raw materials, components, equipment, instruments, etc. by research and development units. All research and development units either in the government or private sector which are recognised by the Department of Science and Technology will be eligible to import their requirements of raw materials for research and development purposes without a licence upto Rs 1 lakh per annum. Only for values in excess of this amount, they should approach the licensing authority through the Department of Science and Technology.

Canalisation of Imports

A major innovation in the policy has been made whereby the canalising agency can allocate certain imported raw materials directly to the actual users without the actual user having to obtain a release order from the licensing authority. The actual users can make a direct application to the canalising agency concerned for their 12 months' requirements. The canalising agency would respond within 45 days whether they will be in a position to arrange supply of the required material within a period of six months or according to the phased programme of delivery indicated by the actual user, which ever is later. The liability of the canalising agency for supply of the material will arise only after satisfactory financial arrangements have been made by the actual users with the canalising agency. The items covered by this scheme and the name of the canalising agency concerned have been indicated in *Annexure I*.

In order to enable the canalising agencies to devote their resources adequately to the new system of distribution of imported raw materials without release order, certain items have been kept outside the purview of canalisation where such items are not suitable for bulk purchases, the users are also many and the specifications are large.

Open General Licence

Import of machinery required by the leather industry and which are not produced in the country will be allowed on the Open General Licence up to the March 31, 1977. Similarly, import of certain iron and steel items will also be allowed under OGL upto March 31, 1977. The facility for import of wattle extract, wattle bark, etc. under OGL will also be available upto March 31, 1977. The list of items, import of which will be allowed under Open General Licence is given in *Annexure II*.

Established Importers

The quota for established importers has been raised in respect of drugs and medicines from 7½ per cent to 10 per cent. In order to meet the requirements of spare parts, the value of quota licences issued for (a) motor vehicle parts; (b) tractor parts; (c) spare parts of machine tools; and (d) spare parts of diesel engines will be enhanced by 20 per cent. The minimum value of licences for established importers has also been raised from Rs 1250 to Rs 1500.

Change in the Item-wise Policy for Actual Users

A number of items for which indigenous capacity has developed will not normally be allowed for import. A list of these items is given in *Annexure III*.

Import of certain items will be allowed subject to face value restrictions. A list of these items is given in *Annexure IV*.

Certain items which were not allowed for import will now be allowed in view of the change in the indigenous availability. A list of these items appears in *Annexure V*.

In respect of many items, the face value restrictions for small scale units have been relaxed.

Capital Goods

The list of machinery which has been cleared from indigenous angle and for import of which the individual entrepreneurs are not required to issue advertisements by way of notice to indigenous manufacturers, before applying for import, has been enlarged.

Import licences to small scale units requiring capital goods for a value of Rs 25,000 from GCA or Rs 50,000 from UK/Rupee Area will be issued by the regional licensing authorities on the recommendation of the State Director of Industries concerned who will certify both essentiality and indigenous clearance. This is a major change that has been introduced where the State Directors of Industries will be giving the indigenous clearance.

Validity of Indigenous Clearance for Import of Capital Goods

The indigenous clearance given by DGTD for import of capital goods will be valid for a period of 18 months instead of 12 months, as at present.

Import of Proto-types by State Small Industries Development Corporations

In order to enable the state small industries development corporations to cater to the needs of small scale units, applications from these corporations for import of machinery and instrument as prototypes will be considered by the Chief Controller of Imports and Exports on the recommendation of the Development Commissioner, (Small Scale Industries), New Delhi.

Last Date for Submission of Applications

All actual users are required to submit their applications in terms of the import policy on or before the November 30, 1976. Applications received after this date will be subject to a cut of 25 per cent. Applications received after the expiry of the licensing period will be summarily rejected.

Application Fees

A fee of Rs 50 will be levied on application for revalidation after the initial period of validity of 24 months. The maximum fee applicable to an application for import licence has been raised from Rs 5,000 to Rs 10,000.

Monitoring Committee

In view of the major changes introduced in respect of allotment of canalised raw materials directly to the actual users, and in order to ensure smooth working of the new system, there will be a Monitoring Committee under the Chairmanship of Chief Controller of Imports and Exports, New Delhi in which the representatives of the various departments concerned and also the canalising agencies would be associated. This committee will review the working of the arrangement for supply of raw materials by the canalising agencies and will devise solution to any problems that may arise in the successful implementation of the scheme.

II

Import Policy for Registered Exporters

The Import Policy for Registered Exporters basically seeks to provide for the replenishment of the import content in the products exported. The intention also is to facilitate an expansion of the export production base and to strengthen the export product itself. Necessary price and quality considerations have also been kept in mind.

Liberal Replenishment provided for Export Production

There has been a change in emphasis in determining the import replenishment for export production. Import has been permitted even of those raw materials and components as are available from indigenous sources but where the price of indigenous substitute is higher, or its quality is incompetitive or its physical availability is inadequate. On these considerations, new items have been allowed for import against 129 export products, a higher import replenishment has been given in 83 export products and 46 new export products have been added in the list of exports which qualify for import replenishment.

Liberal Imports of Machinery to Export-Oriented Units

A manufacturer engaged in export production has been allowed to utilise the entire import replenishment entitlement for the import of machinery required for replacement, modernisation, balancing and research and development, and for the import of jigs, tools, testing instruments etc. Hitherto, there were upper value limits upto which such goods could be imported against import replenishment licences. These upper limits have been removed.

In the case of machinery imports against REP entitlements, the advertisement procedure has been waived on imports valued upto Rs 15 lakhs.

Export houses have also been permitted to utilise their REP entitlements for the stock and sale of selected types of machinery, namely, garment making machinery, testing instruments and equipment for packing/*tagging*. These imported machines can be sold by the export houses only to authorised actual users.

Open General Licence for Imports of Leather Machinery

Import of leather machinery (*Annexure II*) has been placed on Open General Licence for actual users. This step has been taken to faciitate and to encourage exports of finished leather, leather goods and footwear as against semi-processed hides and skins.

Open General Licence for imports into Free Trade Zones

Imports of raw materials, components and spare parts by industrial units situated in free trade zones at Kandla and Bombay (Santa Cruz) have been placed on Open General Licence. This will enable industrial units in these zones to procure uninterrupted supply of the necessary inputs for their approved programmes. The Development Commissioners of these zones will only on an ex-post facto basis exercise supervision and scrutiny.

Duty Exemption Scheme for Imports of Raw Materials Against Advance Licences

The scheme to allow imports of raw materials and components for export production without payment of customs duty has been put into operation. To begin with, the duty exemption scheme will apply to the imports of 55 specified items of raw materials and components. The facility will be available to all those cases in which an advance licence for these raw materials is claimed in the name of a manufacturer whether he is himself an exporter or has been named by an export house-merchant-exporter which receives the export order.

As a measure of further simplification of procedures for the issue of advance licences for execution of export orders, more powers have been delegated to the licensing authorities to decide applications for advance licences without reference to the Advance
sing Committee.

Registration of Export Contracts

Several improvements
been made in the schem
registration of export co
under which benefits av
on the date of a contra
protected. These im
ments are mainly as follo

(a) If there is a subse
change in the value of a
tered contract, due to a
escalation clause or a s
provision in the contract
to allow renegotiation in
to cover a rise in freigh
insurance, exchange vari
or a change in the specific
of the product to be exp
the exporter will not, o
account, lose the benef
registration accruing to
on such a contract.

(b) If there is a down
variation in the value of
tract at the time of final a
tance of the offer, such rev
of price sill not disentitl
exporter to the benefits
registration of contracts.

(c) Where the Indian exp
is a sub-contractor, he wi
allowed to register the con
standing in the name of
main contractor, provided
subcontractor's name ap
in the contract.

(d) Where, after submis
of tender, the terms were
ther negotiated between
Indian exporter and the fo
buyer and the ultimate con
was based on the offer m
by the Indian exporter in
course of such negotia
the date of such offer wil
taken as the crucial date
determining the level of
port assistance, provided
offer is registered with
Chief Controller of Imp
and Exports according t
prescribed procedure.

(e) The period for regis
tion of contract has been
creased from 30 days to
days. Also a firm order
a telegraphic/telex offer
acceptance followed by
confirmatory copy giving all

ed particulars will be ed for registration under heme.

y of Indigenous Raw rials for Export Production

e scheme for the supply digenous raw materials for rt production at inter- nal prices has been ex- led by including therein n more items. These are: e/yellow phosphorous, so- n bichromate, angora hair, nping foil, aniline/aniline beta naphthol and potas- n chlorate.

pe of Simplified Payment eme Expanded

he scope of payments under Simplified Payment Scheme been expanded by throwing scheme open to all expor- s who have been in the ex- rt field during the last one ar, as against three years herto. Under this scheme, EP benefits are granted to porters on the basis of only preliminary scrutiny of the porter's claim as certified by chartered accountant. Detai- d scrutiny is done only later.

acilities Available to Export ouses

The Export House Scheme as been comprehensively revi- d. Additional incentives ave been provided. The new heme is more-export-orien- d.

Hitherto, an export house ad first to obtain a Recogni- on Certificate from the minis- y of Commerce. It could en apply separately to the hief Controller of Imports nd Exports for an Eligibility ertificate. Under the new cheme, an export house will eed to make only one applica- on to the CCI & E, New elhi for the grant of "Export ouse Certificate".

The minimum qualifying ex- ort performance for the grant f Export House Certificate has een raised from Rs 25 lakhs Rs 50 lakhs in respect of ertain specified products cate- orised as "select list of ex- ort products", or Rs 3 crores respect of other products. r a manufacturer-exporter in the small scale sector and in the case of consortium of small scale units, the minimum export performance will be respectively Rs 25 lakhs and Rs 2 crores. For public sector export corporations, the minimum export performance limits will not be applicable at the initial stage while granting Export House Certificates to them.

Foreign exchange earnings on account of erection charges in the case of turn-key projects abroad, consultancy and collaboration fees earned abroad, earnings on account of ship repairs and other invisible exports will also be taken into account for calculating the total qualifying export performance. This is a new facility.

Export Obligations

Export houses will be under obligation to export products manufactured in the small scale sector to the extent of five per cent of their total exports or Rs 25 lakhs, whichever is lower. This compulsion is accompanied with certain advantages for those export houses who promote exports of products made in the small scale sector; in their case the exports of SSI products will be given a weightage for the purpose of qualifying exports for the grant of Export House Certificates and as also for supplementary initial licences.

The minimum qualifying exports for the purpose of granting Export House Certificate will be the annual average in respect of exports made in the preceding three years. Hitherto, exports only in the previous year were taken into account. As a measure of procedural simplification, the Export House Certificate will be made valid for three years, but the minimum growth rate prescribed for renewal of the certificate has been increased. For export houses having exports up-to Rs 3 crores, the rate of growth has been increased from 10 per cent to 20 per cent. For exports between Rs 3 crores and Rs 10 crores, the rate of growth has been increased from five per cent to 20 per cent. For exports above Rs 10 crores, the rate of growth has gone up from five per cent to 10 per cent.

As an additional facility, export houses will be allowed to utilise foreign exchange upto 2.5 per cent of the fob value of their total exports in the previous year for the following purposes:

(a) Foreign exchange expenditure on promotion activities;

(b) Payment of commission to agents abroad; and

(c) Import of testing equipment and spares and machinery required for setting up common servicing centres.

An additional facility has been given to small scale units to set up consortia for export efforts. Before becoming eligible to set up an export house, a consortium of small scale units will be given the facility to set up "Export Group" if the annual exports of its member-units have been of the order of Rs 10 lakhs, to be increased by a minimum of Rs 5 lakhs each year. Such Export Groups will be eligible to receive the same facilities as are available to other export houses except the facility of acquiring licences by transfer from other exporters.

REP Entitlements

The existing facilities available to export houses in the matter of initial and supplementary initial licences and acquisition of licences by transfer from other exporters will continue. Hitherto the export houses could acquire only REP licences by transfer. They will now be permitted to acquire REP entitlement as a whole accruing to an exporter but within the prescribed overall ceilings allocated to each export house for the purpose.

The banned list of import items for export houses has been reviewed. Some items have been deleted from the existing list and some new items have been added. The total number of items in the banned list has gone up from 94 101.

Operational Facilities f Exporters

The existing facilities avail ble to exporters for direct in ports of canalised items letters of authority will co tinue. Letter of authority wi be issued for import of copp and zinc also for which hithe to only release orders wer issued.

Import of samples upto given value and a given numbe will be allowed to be importe against REP licences withou any endorsement from th licensing authority, as indicated below:

(a) A licence issued agains exports of engineering good will be valid for import c samples upto Rs 5,000 i value but each type of sampl not exceeding two in numbe Items like TV sets, air-conditioners, refrigerators, etc., wil not be allowed under this facility.

(b) A licence issued agains exports of chemicals and allie products, plastics, leathe manufactures, sports good and handicrafts will be vali for import of samples upto R 1,000 in value but each typ of sample will not exceed tw in number.

(c) A licence issued agains exports of readymade gar ments will be valid for impo of patterns upto Rs 500 i value.

Import of technical design drawings and other technic documentation and/or faciliti for type testing of equipme will be allowed against RE entitlements upto Rs 5 lak in a year subject to DGTD clearance.

Import of spare parts again REP licences will be allow upto 20 per cent of the val of the licence as against per cent at present.

The facility of importi non-permissible items requir for export production will co nue. In order to make this acility more meaningful, a on-permissible item has been efined as the one which does ot already appear in the REP cence.

Annexure—I

ist of Canalised Items Covered by the New Scheme of Direct Allotment to the Actual Users by the Canalising Agencies, Without the Requirement of Release orders

(i) Minerals and Metals Trading Corporation of India Limited

(Total No. of items 43)

(1) Copper
(2) Zinc
(3) Lead
(4) Tin
(5) Nickel
(6) Palladium
(7) Platinum
(8) Raw asbestos.
(9) Mercury.
(10) Cobalt broken cathodes.
(11) Stainless steel sheets/strips. For meeting the requirements of the manufacturers of hospital equipment and utensils.

(ii) Chemicals and Pharmaceuticals Corporation of India Ltd. (CAPCO)

(1) Beta naphthol.
(2) V.A. monomer.
(3) Para xylene.
(4) Sodium borate.
(5) Calcium borate.
(6) Cryolite.
(7) Aluminium fluoride.
(8) ABS Moulding Powder.

ii) Sail International Ltd

(1) Ferro titanium (containing less than one per cent aluminium).

(2) Ferro-cobalt.

(3) High carbon wire rods for locked coil wire ropes.

(4) Lead bearing free-cutting quality wire rods below 8 mm.

(5) Cold heading quality wire rods for fasteners, link chains and bicycle balls:

(*a*) Low carbon including aluminium killed containing carbon below 0.35 per cent.

(b) Medium carbon including aluminium killed, containing 0.35 per cent—0.5 per cent.

(c) Alloy steel wire rods to specification given below:

ISI	Foreign specification.
—	AISI 4135
—	AISI 4037
40Crl.	AISI 4140
Mo. 28	—
—	AISI 4620
—	AISI 4042
20 Ni 55	AISI 8620
Cr 50	—
Mo. 20	—
—	AISI 8622
40 Crl.	EN 19
Mo. 28	—
40NiCr	AISI 8640
Mo. 15	—
—	AISI 8735
17 Mnl.	DIN 16 MnCr5
Cr. 95	—
20 Mn.	DIN 20 MnCr5
Cr 1	—
13 Ni3.	EN 36A
Cr. 80	—

(6) Wire rods for ball, taper, cylindrical and needle roller bearing steel wires of specification as below:

ISI	Foreign Specification
103 Cr 2	SAE 52100
103 Crl	SAE 51100
—	SAE 50100
20 Ni 55	AISI 8620
Cr50Mo20	—
—	AISI 4620
103 CrMn	EN 31
60 & IS—4398 1967 or equivalent	

(7) Wire rods of electrode quality.

(8) Alloy steel strips in coils, (excluding stainless steel strips) for safety razor blades in width 6 mm to 450 mm and thickness 1.5mm to 2.5mm.

(9) Alloy steel strips excluding stainless steel strips, high speed steel strips and those specified at S. Nos. 1 & 20 of Schedule D of Appendix 41 of Red Book (Vol. I) for 1976-77.

(10) Tin mill black plate for manufacture of prime tinplates and for tin cans (0.24 mm and thinner).

(11) Ship building quality plates:
  (i) Lloyds grade B.
  (ii) Lloyds grade D.

(12) Ship building quality Sections: bulb flats, bulb angles, bulb plates, bars, structurals & semis in Lloyds grade A, B & D.

(13) Dynamo grade non-grain oriented (CRNGO) electrical steel sheets/strips in coils:
  (i) in sizes above 1000 mm for manufacture of large dynamos and generators.
  (ii) in all sizes for hermetically sealed motors.

(14) Transformer grade cold rolled electrical steel sheets/strips in coils (CRGO & CRNGO)

(15) Hot rolled skelp and strips in coils with carbon 0.4 per cent and below, thickness below 2 mm:
  (a) Rimming and fully aluminium killed quality.
  (b) Deep drawing and extra deep drawing lity as per IS EN 2A, EN HS-1, HS 2, HS3

(16) Medium carbon hot r skelp and strips in (carbon 0.4 per ce 0.6 per cent).

(17) Mild steel sheet less 6mm thick and 450 wide in coils,cut len in cold rolled deep d ing quality.

(18) Standard and special lity plates:
  (a) IS: 226 or equival
  (b) IRS—M36
  (c) Fusion welding qu plates (killed qua IS: 2062 orequival
  (d) Deep drawing qua and extra deep dr ing quality.
  (e) High tensile pl IS-961 or equivaler

(19) MS chequered plates.

(20) Ship building quality tes. Lloyds Grade A

(21) Mild steel sections (ang channels, joists, beams

(22) High tensile angles, cha nels, joisds, beams, t and rounds to IS 961 equivalent.

(23) Mild Steel T section Lifts size 75 x 75 x 10 m

(24) Wheels, tyres and axles f wagons.

Annexure—

LIST OF ITEMS THE IMPORT OF WHICH IS ALLOWE UNDER OPEN GENERAL LICENCE DURING APRIL 197 —MARCH 1977 (UP TO 31ST MARCH, 1977)

(*Total No. of Items—93*)

S.No. & Part of the ITC Schedule	Description
43/IV	Wattle extract.
44/IV	Wattle bark.
45/IV	Bark for tanning excluding wattle bark.
143(c)/IV	Pickled hides, skins, pelts, splits and part thereof.
144(a)/IV	Hides and skins, raw or salted, where th value of hides and skins is more than tha of wool/hair thereon.
6/V	Quebracho extract, Chestnut extract and modified Eucalyptuse extract (Myrtan).

Iron and Steel Items

(1) Ferro Alloys in powder form for weld-

contd

o. and Part of ITC Schedule.	Description
	ing electrode industry to IS-460—1962. :— (*i*) Low carbon ferro chromium. (*ii*) Ferro molybdenum. (*iii*) Ferro tungsten. (*iv*) Ferro nickel.
	(2) Mild steel galvanised/black, copper/-tincoated wires in sizes thinner than 32 SWG/0.60 mm dia for wire glass industry.
	(3) Hardened and tempered, bright quality heald wire.
	(4) Chrominm plated, high tensile/high carbon wires for musical instruments.
	(5) Dobby lattice wires and shuttle tongue wires for textile industry.

Leather Machinery

Tanning Machines Required or Finished Units

1. Hydraulic fleshing machines.
2. Hydraulic sammying machine.
3. Combined hydraulic sammying and setting machines.
4. Hydraulic setting machines.
5. Band knife splitting machine.
6. Hydraulic shaving machine.
7. Vibration type staking machine (mollissa type).
8. Lighting buffing machine.
9. Air blast dust removing machines.
10. Curtain coating machine.
11. Automatic padding machines, spraying machines & drying machines.
12. Vacuum drying machine.
13. Paste drying units.
14. Secro-therm type drying units.
15. Hydraulic automatic plating ironing machine (finifles type).
16. Hydraulic ironing & embossing press.
17. Roto press for leather printing.
18. Embossing plates and engraved rollers for leather.
19. Leather thickness measuring guage.
20. Portable PH meter or tanneries.
21. Calorimeter.
22. Blades for leather shaving machines.
23. Hydraulic sulphide applicator.
24. Motorised hides and skins stamping machine.

II. Leather Footwear Machinery, Leather Goods Machinery & Machinery for Leather Apparel

1. Strap cutting machine.
2. Strap folding machine.
3. Upper folding machine.
4. Insole covering machine.
5. Flatbed—double needle sewing machine.
6. Post bed—single needle sewing machine.
7. Post bed—double needle sewing machine.
8. Post bed—single needle under edge timing.
9. Raised cord sewing machine.
10. Sewing machine zig zag—fiat bed.
11. Sewing machine cylinder bed.
12. Automatic lockstitching cylinder bed bartacker.
13. Coarse stitch armtype sewing machine for ruffled work and genuine mocassin.
14. Pulling over machine.
15. Pulling over and cement lasting machine.
16. Tack lasting machine.
17. Kamborian lasting machine.
18. Outsole stitching machine.
19. Heal seat cement lasting machine.
20. Mckay stitching machine.
21. Automatic punching eyeletting machine.
22. Band knife splitting machine.
23. String lasting machine.
24. Buckle stappling machine.
25. Skiving machine.
26. Clicking machine Hydraulic (upper).
27. Clicking machine Hydraulic (bottom).
28. Insole attaching machine.
29. Fore part lasting machine (Astra type)
30. Sole lasting machine (Hydraulic).
31. Edge trimming machines.
32. Edge setting machine.
33. Counter moulding machine.
34. Counter tighting machine.
35. Heal breasting machine.
36. Heel building machine.
37. Stamping machine for upper/lining/socks.
38. Upper forming machine.
39. Upper perforating machine.
40. Pattern grading mach
41. Upper seam rubbing chine.
42. Upper reinforcing chine.
43. Upper cementing mach
44. Mocassin lining trimm machine.
45. Mocassin perform machine
46. Band knife splitting chine with incising dev
47. Heavy leather splitt machine.
48. Folding machine for si for brief case.
49. Blind eyeletting mach (automatic).
50. High speed corner stit ing machines.
51. Suit-case stitching n chines.
52. Heavy duty cylinder b industrial sewing machi
53. Two needle, lock-stit machines, heads only.
54. Button hole (eyelets en machine, head only.
55. Button sewing machine.

Annexure—II

LIST OF ITEMS INDIGENOUSLY AVAILABLE WHICH WILL BE ALLOWED TO ACTUAL USERS ON SPECIAL CLEARANCE ONLY

(*Total No. of Items 5*

S. No. and Part of the ITC Schedule	Description
	Part—I
17-(ii)(a)	Boiler tubes (seamless) of the sizes inc cated below : (*a*) 33.4mm to 219.10mm O.D. in w thickness ranging from 3.25 mm 19.06mm. (*b*) Boiler tubes (ERW) of sizes 8mm 80mm O.D.
17-(ii)(c)	Carbon steel line pipes and tubes (seamle of the sizes indicated below: 33.4 mm to 219.10mm O.D. in w thickness ranging from 3.25 mm 19.06mm.
17-(ii)(d)	(1) Seamless (alloy & carbon steel) pi and tubes of sizes indicated below: 33.4mm to 219. 10mm O.D. in w thickness ranging from 3.25 mm 19.06 mm. (2) Welded steel pipes and tubes of si 6mm to 508 mm nominal bore.
17-(ii)(e)	Mild steel tubes of sizes 6mm to 508 r nominal bore.
17-(ii)(f)	Seamless carbon steel pipes and tubes sizes indicated below: 33.4mm to 219.10mm O.D. in w

S.N, and Part of he ITC Schedule.	Description
	thickness ranging from 3.25mm to 10.06mm.
17-(ii)(g)	Stainless steel pipes and tubes (Welded) of sizes of 6mm to 79mm O.D.
17-(v)	Centrifugally cast seamless steel pipes and tubes (including stainless steel) of sizes 3″ OD to 15″ OD with minimum wall thickness of ¼″.
38A-(a) &(b)	Industrial roller chains, the following : (*i*) 17.70mm Simplex, Duplex, Triplex, Quadruplex and Sex tuplex including of ASA (*ii*) 15.875mm specifications. Special chains and parts, the following:— (*i*) Carding chains for Textile machinery. (*ii*) Roller chains with extended pins. (*iii*) Special Roller Chains for Oil Rigs.
	PART II
9(b)	Miniature steel balls of sizes 1mm and 0.8 mm.
9(i)	Iron powder for manufacture of sintered parts.
17-d)	Aluminium Wire Rods
19	Certain types/sizes of ball/cylindrical roller/tapered roller bearings, needle bushes, needle bearings, needle roller cages and needle roller bearings.
46(c)	Condensers (Capacitors).
	PART III
I-B	Dyes—intermediates, the following :— (1) Dintrobenzene. (2) Meta nitrotoluene. (3) 2: Dinitrochloro benzene.
	PART IV.
87-109	Drugs and medicines, the following:— (1) Bephenium hydroxy naphthoate (2) Clofibrate. (3) Diazepam. (4) Sodium lauryl sulphate (pharmacopoeial grade). (5) Practolal and its injections and tablets. (6) Theophylline ethanoate of piperazine.
127-129	Citronella oil.
156-160	(1) Indicator paper (2) Wood free glazed board.
	PART V.
22,31	Chemicals, the following :— (1) Dinitrochlorobenzene. (2) Ortho xylene. (3) Mixed xylene. (4) Monomethylamine. (5) Dimethylamine. (6) Trimethylamine

S. No. and Part of the ITC Schedule.	
	(7) Sodium sulphate. (8) Monochloro acetic acid and its sod salts. (9) Terpeneol. (10) Butyl titanate. (11) Pentaerythritol. (12) Vinyl chloride. (13) Dimethyl ethanol amine. (14) Diethyl ethanol amine. (15) Cycocell. (16) Dimethoate. (17) Acetic acid. (18) Acetaldehyde. (19) N-Butyl alcohol. (20) Dichlorobenzene. (21) Para nitro phenol. (22) Methyl dichloro acetate. (23) M-Di-nitrobenzene. (24) Para toluene sulphonic acid. (25) Para toluene sulphonamide. (26) Para sulphonyl chloride. (27) Terpenyl acetate. (28) Dinitrobenzene. (29) Meta nitrotoleune.
41	Giant covers tubes & aps: 12.00×24—ply.
45-A	Paste board, mill board, card board a straw board, all sorts.
65(1-4)(v)(a)	Air polution and air control equipment. (a) Electrostatic precipitators for all app cations. (2) Cyclones of various types and sizes. (3) Mechnical type dust collectors. (4) Wet type dust collectors. (5) Centrifugal fans and axial flow fans. (6) Dust extraction plants. (7) Conditioning towers. (8) Multi cyclones. (9) Wet-separators and ventury scrabber (10) Pneumatic conveying equipment. (11) Hoods—all types including open an closed hoods for paper machines etc. (12) Pocket ventilation system for distribu ing drying air across the machines. (13) High velocity hoods. (14) Pulp & paper dryer. (15) Air filters. (16) Dryer for coating machine.
78(ix)	T.V. Pattern generators.
92(n)	(1) Deviation. (2) Gas deductor bellow and tubes.

Annexure IV

ST OF INDIGENOUSLY AVAILABLE TEMS FOR HICH IMPORTS POLICY HAS BEEN CHANGED FROM 'A.U.' to 'A.U. RESTRICVED.'

(*Total No. of Items* 88)

No. & Part of e ITC Schedule	Description
	Part I
17(ii)(g)	Stainless steel pipes and tubes (seamless) of sizes 6 mm to 79 mm O.D.
41(iii)(c)	Cupro-nickel tubes for essential end-uses such as heat exchanges, economisers etc.
	PART II
19.	Certain types/sizes of ball/cylindrical roller/tapered roller bearings, needle bushes, needle bearings, needle roller cages and needle roller bearings.
19(4)(i)	Spherical roller bearings.
19(4)(ii)	Component parts of spherical roller bearings.
26	Silicon carbide crucibles or carbon graphite crucibles of sizes over No. 100 (190 kg melting capacity in teams of bras) and upto No. 200 (200 kg melting capacity in terms of brass).
45(b)	Electrical resistance wire (nickel-chromium and ferrous base) of 32 SWG and above but less than 40 SWG
46(d)	(1) Electro-graphite hord carbon and graphite grade carbon blocks for carbon brushes. (2) Electrodes for dry cells and batteries.
	PART III
I-B	*Arcrylic Dyes* : Basic Blue........(Hue No. 54)
	PART IV
87, 109	Drugs and medicines, the following:— 1. Adrenochrome monosemicarbazone. 2. Choline bitartate. 3. Choline dihydrogen citrate. 4. Choline chloride. 5. Chloridiazepoxide 6. Diphenhydramine hydrochloride. 7. Rutin (Vitamin P) 8. Tricholine citrate. 9. Vitamine E.
150-160	1. Matrixtboard/stereo flongs. 2. Decalcomania paper.
244	Plate/Float glass (colourless) for the manufacture of wind shield glasses.
	PART V
22,31	Chemicals, the following : (1) Meta xylene. (2) Fattyamines. (3) Nonyl phenol. (4) Triphenyl phosphite. (5) M. chloro nitrobenzene. (6) Aluminium isopropoxide. (7) Nickel oxide. (8) Nickel nitrate.

S. No. and Port of the ITC Schedule	Description
34-37(d)	Synthetic iron oxide pigments excludi shades 445,446 and 473.
34-37(k)	Bronze powder.
65(1-4)(ii) and 65 (5) (i)	(1) Hologen lights with or without lam but without stands and associated fi ments. (2) Synchronisers.
65(1-4)(x)	(a) *Food processing machinery*: 1. Vegetable corer/deleafers. 2. Fruit corer 3. Tapping and tailing machine. 4. Appel sauce plant. 5. Destoner.
	(b) *Chemical and Pharmaceutical machi nery*: 1. Pressure filters. 2. Filter presses. 3. Rotary drum filter, vacuum filter. 4. Sewage & effluent treatment plant. 5. Cryogenic equipment. 6. Finned tube heat exchanger/ai cooler. 7. Multilayer vessels. 8. Rotary tablet machinery. 9. Capsule bending, washing and sealing machinery. 10. Liquid filling machine. 11. Distillation plant. 12. Air receiver. 13. Steam tube calciner (dryer). 14. Granulated compound fertilizer plant. 15. Glass-lined equipment. 16. Blenaers.
	(c) *Coal mining machinery and coal washing plant*: 1. Hydraulic props. 2. Friction props. 3. Roofslinks and roof bars.
	(*d*) *Diary and Poultry Farm Appliances etc.* Refrigerated milk tanks of various capa cities.
	(*c*) *Miscellaneous items* : 1. Rayon & synthetic fibre plants. 2. Air separation plants/acetylen plants. 3. Bread & biscuit making plant i cluding bread wrapping & slicin machines. 4. Stackers/reclaimers. 5. Metallurgical machinery interali comprising of : (a) Foundry equipment viz., mulle multi-mills, sand conditionin preparation plant, ladles, san aerators, drying ovens etc.

cont.

. No. and Part of he ITC Schedule	Description
65(L 4)(x)	(b) Mineral crushing and grinding equipment. (c) Kilns and calcining equipment. (d) Equipment for iron ore pelletisation. (e) Equipment for mineral ore benefication plants. 6. Wev offset rotary press for reel width (29"—737 mm).
115	Stereo flongs for newspaper, block making and engraving industries.
116(iv)	Coumarone indene resins/terpene phenol resins/hydrocarbon resins/poly terpene resins.
122(xxix)	Filter aids for manufacture of lead storage batteries.
	PART VI
	Machine tools, the following: 1. Hollow spindle lathes. 2. Surface grinding machine-vertical spindle rotary table-Size 750 mm table dia. 3. Rotary flying cut off shears. 4. Forging presses. 5. Section straightening machines. 6. Slitting lines complete with coilers and decoilers. 7. Spot welders-portable types. 8. Projection welders. 9. Portable electric tools, the following:— (*i*) Screw driver. (*ii*) Nut setter. 10. Pantograph Engraving 3-dimensional machine. 11. Centreless bar turning machines. 12. Universal testing machines upto 100 tonnes capacity. 13. Glass bottle making machines like IS machines. 14. Spark erosion machines. 15. Rotary swaging machines. 16. Punch shaping machines. 17. Reciprocating type dia filing machines. 18. Machine tool accessories the following:— (*i*) Milling adapter. (*ii*) Turret drill heads.

Annexure—V

LIST OF ITEMS IN RESPECT OF WHICH NEW A.U. PROVISION HAS BEEN MADE

(*Total No. of Items—30*)

S. No. and Part of the ITC Schedule	Description
	PART I
41(ii)(b)	Silver coated copper extruded strips for the manufacture of fuses.
46(b)	Brass profile sections for textile machinery industry.
	PART II
7-A(b)	Asbestos wire woven jointings.
9(i)	Special profiled/contoured wires of steel/alloy steel/stainless steel/heat resista steel for manufacture of industrial scr only.
28(18)	Timing belts.
46(b)	Carbon rods for dry cells and batteries
	PART IV
87,109	Chlorcyclizine.
127-129	Peppermint oil (Mentha Pep) for ma facture of tooth paste and tooth powder
130.	Synthetic essential oils for manufacture tooth paste and tooth powder.
132	Resinoids for manufacture of drugs a medicines.
156-160	Wool paper and flax paper for the ma facture and/or refilling of elastic calen bowels for Jute Industry.
244	Plate/float glass (colourless) for manuf ture of mirrors.
	PART V
14.	Micaceous hematite ore for arc weldi electrode industry.
22,31	Chemicals, the following :— 1. Cuprous oxide. 2. Potassium bromide (photographic gra only). 3. Octanol. 4. Iso-octanol. 5. Baristin. } (Pesticides) 6. Basalin. } (Pesticides) 7. Ethylene diamine. 8. Phenol.
34—37(d)	Cuprous oxide.
34—37(e)	Hydro-classified surface and mangane treated anatase grade titanium dioxide f man-made fibre industry in consultati with DGTD.
41.	(*i*) ADV covers & tubes 7.50x10—6 ply. (*ii*) Barrow covers & tubes 16x4—2 &4 ply. (*iii*) Aero tyres & tubes 6.50—5.1/2 26x7.75—13 45x17.00—16 (*iv*) Aero tyres 560x236 (0.6) 6.00x4 26—6.6 27—6.5—15 (*v*) Trolly cushion tyres 6—2 8—2 10—2 12—2 8—3x12x3.1/2
65(1-4)(v)(a) &(b)	Individual quick-freezing equipment.
113-H,	PVC resins powder for manufacture battery separators (for SSI units).

tional pulation licy

A meeting of the central
ncils of health and family
nning held in the capital on
il 16, 1976, the Health
ister Dr Karan Singh an-
nced the national popula-
n policy which was designed
bring the "population ex-
sion" under control. A
ies of measures have been
ommended, the most impor-
t being the raising of the
nimum age of marriage to
years for boys and 18
rs for girls. The states
ve also been authorised to
nch programmes of com-
lsory sterilisation wherever
is feasible; they can also
ake registration of marriages
mpulsory.

The population policy froze
e representations in the Lok
bha and state legislatures
sed on the population figures
vealed in the 1971 census.
means that till the end of
e current century, the states
ould not be able to ask for
creased representations in
gislatures on the basis of
opulation increases. The
quisite amendment in the
onstitution will be made soon.
he central assistance to
tates will be pegged to
e 1971 census wherever
opulation is the basis of
omputing the level of assis-
ance.

Vast Problem

Whereas the centre did not
tend to enforce nationwide
ompulsory sterilisation due
the vast dimensions of the
roblem. the states were auth-
rised to go ahead with it
rovided they felt that they
ould command the requisite
esources in men and materi-
ls. Monetary compensation
r sterilisation was being
raised from May 1, 1976. Those who get sterilised after having two children will get Rs 150 in cash. Those having three children will get Rs 100 while others with four or more children will get Rs 70 each after sterilisation.

Dr Karan Singh felt confident that the birth rate in this country which was currently estimated at 3.5 per cent per annum would be reduced to 2.5 per cent at the end of sixth Plan period.

The following is the text :

With 2.4 per cent of the the world's land area, India has about 15 per cent of the world's people. It is estimated that our population as on January 1, 1976 has crossed the 600 million mark, and is now rising at the rate of well over one million per month. Since Independence 250 million have been added, equivalent to the entire population of the Soviet Union with six times the land area of India. The increase every year is now equal to the entire population of Australia, which is 2½ times the size of our country. If the present rate of increase continues unchecked our population at the turn of the century may well reach the staggering figure of one billion.

Top Priority

Indisputably we are facing a population explosion of crisis dimensions, which has largely diluted the fruits of the remarkable economic progress that we have made over the last two decades. If the future of the nation is to be secured, and the goal of removing poverty to be attained, the population problem will have to be treated as a top national priority and commitment.

Our real enemy is poverty, and it is as a frontal assault on the citadels of poverty that the fifth five-year Plan has included the minimum need programme. One of its five items is integrated package of health, family planning and nutrition. Far reaching steps have been initiated to reorient the thrust of medical education so as to strengthen the community medicine and rural health aspects, and to restructure the health care delivery system on a three-tier basis going down to the most far-flung rural areas where the majority of our people reside and where child mortality and morbidity are the highest. Similarly, ignorance, illiteracy and superstition have got to be fought and eliminated. In the ultimate analysis it is only when the underlying causes of poverty and disease are eliminated that the nation will be able to move forward to its desired ideals.

The Time Factor

Nonetheless it is clear that simply to wait for education and economic development to bring about a drop in fertility is not a practical solution. The very increase in population makes economic development slow and more difficult of achievement. The time factor is so pressing, and the population growth so formidable, that we have to get out of the vicious circle through a direct assault upon this problem as a national commitment. The president in his address to the joint session of Parliament this year reiterated the importance of stepping up family Planning efforts, and the prime minister has on several occassions laid stress upon the crucial role that population control has to play in the movement towards economic independence and social transformation, specially in the light of the 20-point economic programme.

Considerable work has been done in our country in the field of family planning, but clearly only the fringe of the problems has so far been touched. In this context, after a thorough and careful consideration of all the factors involved as well as the ex-
pression of a wide spectrum c
public opinion, governmen
have decided on a series c
fundamental measures detaile
below which, it is hoped, wi
enable us to achieve the plan
ned target of reducing the birt
rate from an estimated 35 pe
thousand in the beginning o
the fifth Plan to 25 pe
thousand at the end of the sixt
Plan. Allowing for the stead
decline in the death rate tha
will continue due to the im
provement in our medical anc
public health services and th
living standards of our peopl
this is excepted to bring dowr
the growth rate of populatior
in our country to 1.4 per cen
by 1984.

Health Aspect

Raising the age of marriage
will not only have a demons-
trable demographic impact,
but will also lead to more
responsible parenthood and
help to safeguard the health
of the mother and the child.
It is well known that very
early pregnancy leads to
higher maternal and infant
mortality. Also, if the women
of our country are to play
their rightful role in its eco-
nomic, social and intellectua
life, the practice of early
marriage will have to be
severely discouraged. The
present law has not been
effectively or uniformly en-
forced. It has. therefore
been decided that the mini-
mum age of marriage should
be raised to 18 for boys, anc
suitable legislation to thi
effect will be passed. Off
ences under this law will b
cognizable by an officer no
below the rank of a sub
divisional magistrate. Th
question of making registra
tion of marriages comp
ulsory is under active consi
deration.

It has been represented b
some states that while on th
one hand we are urging the
to limit their populatio
those states which do well i
this field face reduction c
representation in Parliamen
while those with weak pe

ormance in family planning end to get increasing representation. It is obviously necessary to remedy this situation. It has, therefore, been decided that the representation in the Lok Sabha and the state legislatures will be frozen on the basis of the 1971 census until the year 2000. This means in effect that the census counts of 1981 and 1991 will not be considered for purposes of adjustment of Lok Sabha/legislature seats. Necessary constitutional amendment will be brought forward during the current year. Appropriate legislation for other elective bodies will also be undertaken.

In a federal system, the sharing of central resources with the states is a matter of considerable importance. In all cases where population is a factor, as in the allocation of central assistance to state plans, devolution of taxes and duties and grants-in-aid, the population figures of 1971 will continue to be followed till the year 2001. In the matter of central assistance to state plans, eight per cent will be specifically earmarked against performance in family planning. The detailed procedures in this regard will be worked out by the Planning Commission.

Female Literacy

While there is a direct correlation between illiteracy and fertility, this is particularly marked in the case of girl's education. Wherever female literacy improves, it has been seen that fertility drops almost automatically. It is, therefore, necessary that special measures be taken to raise the levels of female education, particularly, above the middle level for girls as well as non-formal education plans for young women specially in certain backward states where the family planning performance so far has been unimpressive. The same is true with regard to child nutrition programmes, as high infant mortality and morbidity have a direct impact on fertility. The ministry of Education is urging upon the state governments the necessity to give these matters higher priority than has been accorded so far and fully earmarking adequate outlays both for girl's education up to the middle level and child nutrition.

My ministry is also in close touch with the Education ministry with regard to the introduction of population values in the educational system, and the NCERT has already made a beginning in bringing out some text books on these lines. It is essential that the younger generations should grow up with an adequate awareness of the population problem and a realisation of their national responsibility in this regard, Indeed if I may venture to say so, exhortations to plan families are more important for the younger generations than for those who have already made their contribution to our demographic profile.

Small Family

The adoption of a small family norm is too important a matter to be considered the responsibility of only one ministry It is essential that all ministries and departments of the government of India as well as the state should take up as an integral part of their normal programme and budgets the motivation of citizens to adopt responsible reproductive behaviour both in their own as well as the national interest. A directive to this effect is being issued by the prime minister to all ministeries of the government of India, and a letter will also be addressed by her to all chief ministers. The performance of family planning in the states will be more carefully and intensively monitored than in the past, and the union cabinet will review the situation in depth at least once a year.

Experience over the last 20 years has shown that monetary compensation does have a significant impact upon the acceptance of family planning, particularly, among the proper sections of society. In view of the desirability of limiting the family size to two or three it has been decided that monetary compensation for sterilisation (both male and female) will be raised to Rs 150 if performed with two living children or less, Rs 100 if performed with three living children and Rs 70 if performed with four or more childern. These amounts will include the money payable to individual acceptors as well as other charges such as drugs and dressings, etc., and will take effect from May 1, 1976. Facilities for sterilisation and MTP are being increasingly extended to cover rural areas.

In addition to individual compensation, the government is of the view that group incentives should now be introduced in a bold and imaginative manner so as to make family planning a mass movement with greater community involvement. It has, therefore, been decided that suitable group incentives will be introduced for the medical profession for zila and panchayat samities, for teachers at various levels, for cooperative societies, and for labour in the organised sector through their respective representative national organisations. Details of these group incentives may be worked out in consultation with the concerned organisations.

Tax Incentives

Despite governmental efforts at union, state and municipal level, family planning cannot succeed unless voluntary osganisations are drawn into its promotion in an increasing measure, particularly, youth and women's organisations. There is already a scheme for aiding voluntary organisations, and it has been decided that this will be expanded. Also, full rebate will be allowed in the income-tax assessment for amounts given as donations for family planning purposes to government, local bodies or any registered volu
organisation approved
this purpose by the
ministry of Health.

Research by reprodu
biology and contracepti
under way in several of
scientific instititutions,
there are some very pro
ing developments which
hope, will lead to a m
breakthrough before
long. This is a great ch
nge to our scientists,
efforts in this direction
receive special attention
that necessary research in
are ensured on a long r
and continuing basis.

The question of com
sory sterilisation has been
subject of lively public de
over the last few months
is clear that public opinion
now ready to accept m
more stringent measures
family planning than bef
However, the administra
and medical infra structure
many parts of the country
still not adequate to cope w
the vast implications
nation-wide compulsory ste
lisation. We do not the
fore, intend to bring in cen
al legislation for this purpo
at least for the time bei

States Option

Some states feel that t
facilities available with the
are adequate to meet the
quirements of compulso
sterilisation. We are of t
view that where a state legi
lature, in the exercise of
own powers, decides that t
time is ripe and it is necessa
to pass legislation for com
pulsory sterilisation, it may
so. Our advice to the stat
in such cases will be to bri
in the limitation after thr
children and to make it un
formly applicable to all India
citizens residents in that sta
without distinction of cast
creed or community.

Some states have als
introduced a series of mea
sures directed towards the
employees and other citizen
in the matter of preferenti
allotment of houses, loan
etc. for those who have accep
ted family planning. In th

re also we have decided to
e it to each individunl
e to introduce such mea-
s as they consider necess-
and desirable. Employees
he union government will
expected to adopt the
ll family norm and necess-
changes will be made in
ir service conduct rules to
sure this.

In order to spread the me-
ge of family planning throughout the nation, a new multi-media motivational strategy is being evolved which will utilize all the available media channels including the radio, television (specially programmes aimed directly at rural audience), the press, films, visual displays and also include traditional folk media such as the jatra, puppet shows, folk songs and folk dances. The attempt is to move from the somewhat urban-elitist approaches of past into a much more imaginative and vigorous rural-oriented approach. In this context my ministery is working in close coordination with the ministry of Information and Broadeasting, and is also trying to draw the best media talent available in the country into the structuring of the new programme.

This package of measures will succeed in its objec
only if it receives the full
active cooperation of
people at large. It is
sincere hope that the en
nation will strongly endo
the new population po
which, as part of a mu
faceted strategy for econo
development and social em
cipation, is directed tow
building a strong and pr
perous India in the years a
decades to come.

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S: 177-1970 Variety No. 1 Except
hat ete.

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Red Signal) (Specn: JSS 1-69-02
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able free upto 7.5.76.

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forms available @ Rs. 5.15 pa
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referring to Tender No. 0025/C
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mm thick to Specn. J.S.S. 1212.

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upto 11.5.76.

(13) **Ordnance Factory. Ambarnat**

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tions of the above items will be a
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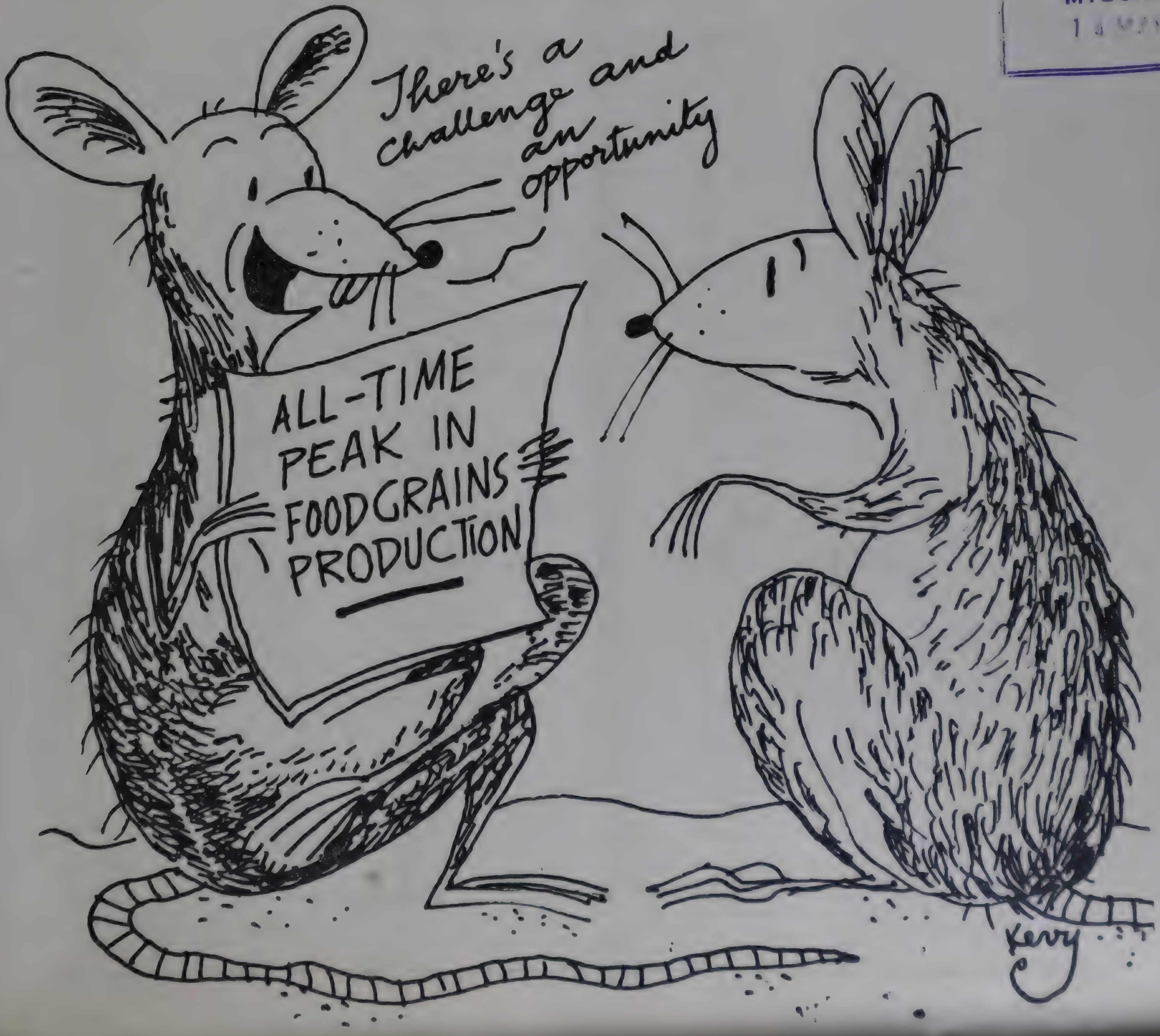
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eading Articles

ssocham Attempts to be Useful 859
rofile of the Public Sector 861
ourkela Has Done Well 862
ea or Coffee ? 863
P: Stress on Agriculture 864

oint of View

What a Journalist Should Know
bout Profits—Carl H. Madden 865
timulating Results of Cooperation
—Dr V.L. Korneev 870

Window on the World

conomies East and West
— Jossleyn Hennessy 871
nternational Monetary Developments
—Edwin H. Yeo 875

Books Briefly

rowth Factors In Farming
—Academicus 877
Books Received 882

Trade Winds

ADB Assistance; No Export Duty on Jute Goods; Rupee Upvalued; Export Assistance for Mill-Made Cottons; Indo-Nepal Joint Ventures; Pepper Community; NCDC; Cement Output; Industrial Output; Import of Stainless Steel; BHPV; Irano-Hind Shipping; Progress in Shipping and Transport; Export of Finished Leather; Machine Tool Industry 883-885

Company Affairs

Blue Star; Pfizer; State Bank of Saurashtra; Goodlass Nerolac; SPIC; Lakshmi-Ruti Looms; News and Notes; New Issues; Capital and Bonus Issues; Dividends 886-889

Records and Statistics

Amending the Constitution 890
Automobiles and Allied Industries 891
Petroleum in 1975-76 892

Assocham attempts to be usefu

MUCH WATER has flowed down the Jamuna in New Delhi since Mr J.R.D. Tat
famous address to the annual session of the Associated Chambers of Commerce a
Industry last year despairingly predicting the withering away of the mixed econo
In the intervening months, due to causes and circumstances, some of them at le
extraneous, there has been considerable improvement in the climate which gover
industry's expectations of or other relations with the government. This change w
fully reflected in Mr Akbar Hydari's speech at this year's session of Assocham la
week in New Delhi. He acknowledged with as much grace as gratitude the thr
significant shifts in government policy of which the latest central budget is mu
more than a symbol. As he listed the gains, there is the acknowledgement th
excessive taxation has become counter-productive; the recognition that industry nee
substantial aid for regeneration; and an awareness that something has to be done
hasten the retreat from recession.

Mr Hydari said that the business community owed it to itself and to the gover
ment to respond to this reorientation of official attitudes towards the claims an
needs of the private sector in a mixed economy by making the most of the relie
and incentives offered in the central budget as well as through various relaxations
liberalisations of government regulations or procedures affecting industry or trad
It was desirable that industry should fashion its conduct in this manner especial
as a process of consultation and constructive exchange of ideas is now beginning
inform government's relations with it. Mr Hydari suggested that this made it possib
for business bodies such as Assocham to pursue a positive dialogue with the gover
ment on the many things that still remained to be done to promote the growth im
pulses in the economy, especially in such vital areas as exports.

As an earnest, presumably, of its desire to advance a partnership of governmen
and business in philosophy and performance, Assocham made this annual session a
occasion for a symposium on Industry and Development. The theme was the way
in which company managements or the corporate sector generally could assist villag
communities and the rural economy to develop their human and material resource
and thereby fight mass poverty especially in the backward areas of the country. Th
symposium, however, proved to be an exercise in good intentions and kind thought
rather than in definitive discussion.

Not that some fine speeches were not made. Dr M. S. Swaminatha
spoke learnedly and with characteristic earnestness of the human aspect
of rural development and Mr T. Thomas of Hindustan Lever made usefu
suggestions for the restructuring of the district administration, a service whic
perhaps excuses his cliche about "barefoot scientists". But neither these two no
any of the other speakers, some of whom spoke interestingly enough, came anywher
near determining or even describing with any clarity what precisely company manage-
ments or the corporate sector are supposed to do by way of making a unique contri
bution to rural development. There was much talk, a good deal of it laboriously
sophisticated, of the service that an industrial culture could render by way
extending the benefit of modern management or business practices to the planning
running of rural development, but most of it was vitiated by a calculated and clear
stage-managed determination to ignore the basic fact that any direct role whic
large-scale industry may attempt to toy with in the area of rural development coul
only be in the nature of an expensive, rich man's hobby which, as is well-known, i
often no more than its own reward.

Consequently, when the symposium arrived at the stage of listing i clusions or recommendations, Dr edie Mehta had to tax his imagina- n and ingenuity to draft a 12-point rategy". Possibly the chief virtue of s programme is that it faithfully follows current fashion of breaking up pro- ems into "points" and its very first oint", ironically enough, is the pro- sal that villages should be adopted by siness houses or company managements a suggestion, which one of the "key- te" speakers at the symposium, Mr D. Moddie, had in fact dismissed with er-abundant, if largely justified, scorn.

We are not suggesting here that there neither scope nor necessity for industry function in such a manner as to assist the pursuit of such valuable national bjectives as the faster growth of the ural economy. But we do believe that ere is nothing to be gained by business aders trying to play to the political lleries in this respect. In particular, it sheer nonsense to suggest that company anagements, either individually, or hrough consortia, could function more fficiently or economically than the agri- ultural departments of state governments r other allied governmental or semi- overnmental agencies. Our country has uilt up a certain amount of knowhow nd organization through such program- es and facilities as community develop- ent and the national extension service nd while these admit of continuous nprovement in their functioning or even conceptual thinking, it would be grossly rresponsible to act on the assumption hat any of the major responsibilities for rganized rural development could be ransferred to industry or business houses.

prosaic truth

In our view, businessmen themselves hould be the last to raise false hopes or oster unrealistic expectations in this egard. Although polite speeches are being nade by those outside the business com- nunity about the drive, dynamism or ractical wisdom which business leaders, xecutives or managers are supposed to ave in them to donate to the rural evelopment effort, the prosaic truth is hat the corporate sector in this country not over-endowed with superior man- ower. The higher managements in most industrial undertakings are already overstretched to meet the demands made on them by the normal business of their respective companies in these difficult times and business leaders or business houses should therefore be worrying about the human or other resources they need to dispose of for the purpose of coping with the problems of the home market or the challenges in the export trade. They will be doing no service to the country if, at this strenuous period in the course of industry itself, they elect to pretend that they can engage themselves to any substantial degree in an area of effort which is not demonstrably related to their own resources.

It is important that there should be no wishful thinking here, because only intellectual honesty and clarity of judgement would help industry to get its bearings right with regard to its own modest place or genuine opportunities in rural development. For instance, industrial undertakings utilising agricultural produce or other rural resources could take a practical interest in increasing the production of these supplies or improving the productivity of the farms, farmers or other factors concerned.

pooling resources

This could be done most effectively by firme in the same industry pooling their financial and technical resources for the purpose, although some of the larger firms may often find it easier or more rewarding to act on their own. It is necessary to note that there is already some activity of this kind. It is even more necessary to realize that such efforts would be optimally productive only to the extent that the business agencies concerned are willing or able to work with and through the governmental and semi-governmental institutions in the area.

Possibly the most valuable manner in which industry could advance rural development is for the associations of manufacturers in agro-based industries or industries which are large consumers of rural produce or supplies to develop really cooperative relations with the producers of their raw materials or other inputs. There is no denying the fact that industry is yet to demonstrate that it is keen getting out of situations of exploiting manipulating its commercial relatic with the peasant communities or the ru economy. On almost every occasi when crop prospects move in a plus minus direction, the immediate reacti of the concerned manufacturing indust is to attempt to protect or promote i own short-term interests at the expense the producers of raw materials. A predic able consequence is that farmers or oth rural interests take to lobbying the polit cians and this invitation to politica parties to intervene in or interfere wit the business relations between the managements of industries on the one hand an the producers of raw materials for industries on the other only serves to bedevi the situation further.

enlightened relationship

We therefore put it to the leaders o Assocham or other business association that the most meaningful manner in whic industry could serve the rural economy is the establishment of enlightened economic relations between manufacturer or their associations and village communities supplying agricultural or other rural supplies for industries so that mutually beneficial practices and programmes could be evolved for promoting production and maintaining remunerative and relatively stable prices for the produce of village communities.

It cannot be denied that industry has to change a great deal by way of motivation and morality in these areas of its dealings with the rural economy. For a start, the Indian Sugar Mills Association could attempt to forge sanctions against the black sheep in its midst who habitually defraud cane cultivators of their dues in one way or another, or the Indian Cotton Mills Federation devote some thought to working out cooperative relations with cotton growers in dealing with situations of shortage or glut of the fibre. It is to be hoped that there is no significance of a sinister kind in the resounding silence observed on issues of this kind by the august brains trust which the Assocham had assembled for its symposium on Industry and Rural Development.

Profile of the public sector

HE WORKING results of the central overnment public enterprises for 1974-75 ave shown a leap in net profft hich clearly demostrates their having vercome the teething troubles. At last the eriod of persistent losses is a thing of the ast even though in recent years the public ector was saddled with the responsibility o nurture some sick units. The net profit efore tax at Rs 312.48 crores in 1974-75 n the case of 120 operating enterprises was early four times the profit of Rs 81.03 rores in 1972-73. Even though the rofit for 1975-76 may not turn out to be s large as in 1974-75 due to the changed tate of the economy, yet it is safe to preume that the central government underakings will manage to record a handsome rofit collectively.

The current trends in the economy coupled with the government's determination not to let the prices move up are likely to cut into the profits of these enterprises. This viewpoint was endorsed by Dr Ajit Mozoomdar, secretary (expenditure) of the central ministry of Finance and director-general of the Bureau of Public Enterprises who said at a recent press conference in the capital that "the profits during 1975-76 of the public sector enterprises were unlikely to show an equivalent growth despite improved inventory control, capacity utilisation and higher production.

growth in numbers

The public sector undertakings run by the central government have grown in number, investment and scale of operation at a steady pace during the past 25 years with the result that they are likely to overtake the private sector enterprises in the next few years. The total investment in equity and long-term loans as on March 31, 1975, in the central government enterprises has been estimated at Rs 7261 crores. If bank overdrafts and foreign deferred credits are included, the total rises to Rs 8415 crores.

The Reserve Bank of India (RBI) has estimated that as on March 31, 1974, 1650 public limited companies and 1001 private limited companies together commanded capital employed (equity plus reserves plus borrowings) at Rs 11,177 crores. The private sector companies not included in the RBI study will at best be 10 per cent. Thus it is patent that the central government enterprises, though 129 in number, have an unrivalled position in the economy of our country. Again, the total sales of the government enterprises in 1974-75 at Rs 10217 crores was almost equal to the sale of the private sector companies included in the RBI studies (1973-74). Whereas sales in the private sector rose by 10 to 12 per cent a year, the central government enterprises recorded a rise of 51 per cent in 1974-75 which was undoubtedly unusual and was to a large extent due to the prevailing inflationary trends.

utilisation of capacity

Good management of business always demanded high utilisation of capacity and the strictest control on inventories. Happily the central government undertakings gave a good account of themselves on both these counts. An analysis of the working of 106 units for 1974-75 revealed that as many as 54 of them had capacity utilisation of 75 per cent as against 45 per cent in the preceding year. Also, 27 units utilised their capacities from 50 to 75 per cent while 16 of them were working at less than 50 per cent capacity. Surely, the units had moved in the right direction in so far as capacity utilisation was concerned though there was still room for improvement.

In regard to keeping a restraint on the value of inventories also, the undertakings have done well. The units under study had inventories worth Rs 3269 crores as on March 31, 1975 which was equivalent to 3.9 months' turnover as against Rs 2518 crores (4.3 months' turnover) in th preceding year.

Last year, while reviewing the workin of public sector undertakings (*Easte Economist* dated May 2, 1975; page 968) w had stated that "whatever way this proble was examined, it was hard to believe tha the rising price had not assisted the publi sector undertakings in improving thei profitability. At best it could be accepted that only a part of the increase in profits was due to rise in prices, the balanc being the outcome of improved management." Looking at the performance o these undertakings in 1974-75, *Easter Economist* again came to the conclusio that more than half of the declared profi was due to the rise in the prices of inventories. Only when the net profit o these undertakings exceeded the increas in the value of inventories by a wid margin, it would be safe to say that th fortuitous causes had played a smal role in inflating the profit.

the leaders

The leaders in throwing up surpluse were Indian Oil Corporation Ltd (Rs 52.14 crores), Oil & Natural Gas Commission (Rs 50.77 crores), Hindustan Steel Ltd (Rs 50.77 crores), Minerals and Metals Trading Corporation Ltd. (Rs 44.08 crores), Shipping Corporation of India Ltd (Rs 34.55 crores) and Hydro Carbons India Ltd (Rs 20.99 crores).

Among the major losers were Coal Mines Authority of India Ltd (Rs 36.11 crores), Bharat Coking Coal Ltd (Rs 26.12 crores), Bokaro Steel Ltd (Rs 11.65 crores and Air India (Rs 8.86 crores). As many as 75 undertakings improved their performance in 1974-75 by raising the level of profit while 45 of them suffered a decline in this regard. While profitability alone might not be deemed as the sole measure of good performance by a public sector undertaking, it certainly could not be ignored, hence the increasing emphasis on the quality of management which the Bureau of Public Enterprises has been recommending in recent years.

In earlier years bureaucrats from government offices were drafted to man the public sector undertakings but because y came on deputation for short du- ions, they failed to give their best. Also many cases they were not equipped to ndle the tasks assigned to them. Later vernment turned its attention to the pri- te sector and invited some of the private tor managers to manage the public sec- r units. Not all of them were a success cause of the differences in the methods of operation adopted in the two sectors. At last, the Bureau of Public Enterprises has realised that the public sector units cannot be properly managed without creating a new cadre of managers who should be trained in the modern techniques of management. A conference of public sector enterprises organised recently in the capital also came to the same conclusion.

Rourkela has done well

, INDEED, is heartening to note that the ourkela steel complex, which till lately as known as the sick child of the dustry along with the Durgapur and the SCO works at Burnpur, has emerged ut of the woods. This public sector unit roduced during the year just gone by 282 million tonnes ingot steel, as against e target of 1.3 million tonnes and an utput of 1.066 million tonnes in 1974-75. he production of saleable steel aggregated 1.041 million tonnes, as against the ear's target of 0.9 million tonnes and an utput of 0.812 million tonnes in the previous year. For 1975-76 as a whole, the tilisation of capacity in terms of saleable eel worked out to 85 per cent. The pro- uction trends after July last have been ery encouraging; new records were estab- shed in all the nine months since then. uring the terminal four months of the ear—from December to March—even he average rated capacity was exceeded.

Annual records of production were estab- shed during the year by all the major roducing units—the Barsua iron ore ine, the Purnapani limestone quarry, oke ovens, sinter plants, blast furnaces, teel melting shop, slabbing mill, plate ill, hot strip mill, electric sheet mill, pipe lant, galvanising lines and the cold rol- ng mills. Despatches of saleable steel as ell as those of all important products ecorded new peaks. The plant over- ulfilled its commitment for the supply of rmoured plates. It crossed during the ear 10 million tonnes mark in saleable teel output—an important milestone in he annals of any integrated steelworks.

More significantly, the output of tested quality steel grew at a sharper rate than the overall output. Whereas the total production of saleable steel went up by 28.2 per cent compared to the previous year's output, that of tested quality improved by 37 per cent. Currently, nearly 85 per cent of the saleable steel output is of tested quality.

The improvement in production has yielded some other wholesome results also. They have helped in bringing down production costs. The ingot mould consumption, for instance, has been brought down from 23.4 kgs per tonne of ingot steel to 22.3 kgs per tonne and in the case of bottom plates from 14.2 kgs per tonne to 13.2 kgs per tonne. The consumption of tin in the tinning lines has been reduced from 12.04 grams M^2 to 11.21 grams/M^2 and that of zinc in the galvanising lines from 450 grams/M^2 to 428 grams/M^2.

Along with the steel plant, the fertiliser manufacturing unit of the complex has registered a marked improvement in working. The production of calcium ammonium nitrate and ammonium sulphate during 1975-76 reached the new peak level of 309,000 tonnes; it was of the order of 245,000 tonnes in the previous year. The 1975-76 production, in fact, has been the highest since the inception of this unit.

Another encouraging fact about the operations of the undertaking in the recent past has been that in the interest of improving its profitability as well as attuning itself to the market requirements, product-diversification is being attempted in a concerted manner. This has resulted the development of technologies f regular production of such diversifie grades as boiler quality steel, ship-buil ing quality steel, API steel, high tensil steel, admirality "B" grade steel et Plans are afoot to go in for regular pro duction of HSLA steel, ROUTEN stee different qualities of tinplate, etc.

The cold rolled products range has bee diversified a great deal by producin much thinner gauges than had been th case upto 1974-75. All these development have enabled the undertaking to cater fo even the sophisticated requirements of the growing engineering industries. The impact of recession in domestic demand, which has necessitated a concerted export drive, has been minimised on the Rourkela steelworks through the diversification programme. Further diversification is envisaged through adding a spiral welded pipe plant and a cold reduced grain-oriented (CRGO) complex.

remarkable turnround

The management deserves to be complimented for the remarkable turnround of the complex in the last two years—more particularly during the last nine months after the great vicissitudes through which it had to pass till then. The mastering of the highly sophisticated technology — the Rourkela steelworks was the first project to go in for the LD process of steelmaking in this country and that too at a time when this process was not very common even in the advanced countries—was not an easy affair. Then, the complex had its share of industrial unrest, transport difficulties and various other bottlenecks. The severest blow to it came in 1971 when a part of the roof of its steelmelting shop collapsed. The maintenance problems have been receiving very high priority since this mishap. Better discipline among workers after the declaration of emergency in July last too has contributed very significantly to the uptrend in production last year. Workers' confidence and enthusiasm has been inspired during the last five years through associating their representatives at the shop and apex levels in production as well as in the allied matters. Care, of course, has to be taken that in the enthusiasm to scale new oduction peaks this year, the plant and uipment are not flogged as happened in e case of the Durgapur plant some years o.

Rourkela's contribution to the economy as been very significant. Although the okaro steelworks would be adding consi-erably to the production of flat products n which the Rourkela plant also spe-ialises, the expected growth in the lemand for these products would warrant that scrupulous care is taken to keep up production at Rourkela through proper maintenance. Any negligence in this sphere will hit the economy hard, not to speak of adverse effect it can have on the morale of workers and the fortunes of the project. This year's target for the plant envisaging a production of 1.05 million tonnes saleable steel should suggest that the management is not unconscious of this.

Tea or coffee?

IN HIS presidential address at the annual general meeting of the Indian Tea Association (ITA) held in Calcutta on April 17, 1976, Mr G.P. Goenka made several suggestions for increasing the production and export of tea. He pleaded for giving greater encouragement to foreign investors to develop the tea industry not only from the point of view of augmenting production but also of marketing. Prof D.P. Chattopadhyaya, the union Commerce minister, who inaugurated the annual meeting, assured the association that the government would continue to encourage foreign companies so long as their activities helped to promote the national interest. "I would like to clarify", said the Commerce minister, "that there is no intention on the part of the government to ask the foreign tea companies to quit. We would welcome foreign investment within the framework of our national policies and would expect the foreign companies to continue their operations in India after Indianisation in accordance with the provisions of the Foreign Exchange Regulation Act (FERA)". Although Prof Chattopadhyaya merely reiterated New Delhi's policy on foreign capital, his assurance was nevertheless welcome.

Mr Goenka is, of course, right in saying that there are several foreign tea investors who are dedicated to the growth of the industry to the same extent as their Indian counterparts. However, if some provisions of the FERA in any way hinder the activity of the foreign investors, the government may be expected to examine them sympathetically in view of the importance of the tea industry to the country's economy.

Prof Chattopadyaya advised the tea industry to earn at least ten per cent more foreign exchange every year so that in ten years India could obtain Rs 200 crores more than last year's earning of Rs 240 crores. Mr Goenka referred to this plea as of "a very high order" and raised certain questions: Would the industry be prepared to invest large sums of money required to, say, double the production of tea in the course of the next ten years? Would the government allow depreciation on tea bushes and offer concession in excise duty for achieving higher production? The Commerce minister did not reply to these points but the government should examine them favourably.

The Federation of Indian Chambers of Commerce and Industry (FICCI), in its export plan for 1976-77, had also made several proposals for promoting tea export. One of them was that tea sold on consignment basis in London auction should be permitted to be warehoused in Rotterdam and sold afloat in order to provide more scope to exporters to avail themselves of the changes in the market situation.

Mr Goenka raised the question whether tea could be a substitute for coffee. He quoted some interesting statistics regarding the trade in tea and coffee although he himself was not quite sure how far they were reliable. He said that the world's estimated tea production was 1350 million kg and that of coffee 4300 million kg. Coffee produced annually was worth about Rs 6500 crores while tea was only worth Rs 1400 crores. The internal tra tea amounted only to Rs 700 c annually but that in coffee was w over six times as much. "I convinced", said Mr Goenka, "tha can substitute coffee".

But Prof Chattopadhyaya was not vinced. He said that substitution w affect the economy of many develo countries and would also result in displacement of workers. But wh New Delhi likes it or not, c consumption seems to be increa rapidly in many countries. In coffee exports earned Rs 51 cror 1974-75 and in 1975-76, the earnin estimated at Rs 58 crores. In current fiscal year, coffee exports expected to fetch Rs 60 crores. Ex could be stepped up by augmen production for which certain incen are necessary for attracting fresh in ment.

expanding the acreage

The president of the ITA pleaded expanding the acreage under tea. said that it was in the national inte to give as much land to tea gardens necessary. He pointed out that whe an average hectare of tea produced g worth Rs 12,000, the average hectar rice have only Rs 3000 worth. But su this should not mean that land shoul indiscriminately diverted from rice tea. The Commerce minister expre disagreement with Mr Goenka's sug tion and urged the industry to step its productivity.

Surprisingly, however, Mr Goenk not deal with the problem of the cl and sick tea gardens and the meas proposed by the government to them over. The annual meeting of ITA was an appropriate occasion discuss this subject which is of importance to the economy of Bengal. Mr Goenka spoke of "frontiers of tea" and the "horizon tea" and referred to the "millions millions of people who have never or tasted a caffeine-based drink, wh tea or coffee". He said that "to out to them is a great enough challe But is not the reopening of the gardens and the revival of the sick also a challenge confronting the ind

UP : stress on agriculture

ILE PRESENTING the budget for 1976-77 the Vidhan Sabha recently, the UP ef minister, Mr N.D. Tiwari (who also lds the Finance portfolio) proposed a mber of tax measures to reduce the ficit from Rs 70.67 crores to Rs 16.15 ores. Revision and rationalisation of es tax rates is expected to bring in an ditional revenue of Rs 6.40 crores. The oposal to levy purchase tax on industrial cohol, improvement of the administra- ve machinery of the excise department check tax evasion, smuggling and illicit stillation and auction of foreign liquor ops are to yield an additional revenue of s 5.90 crores.

The rates of various departmental es fixed several years before are to e revised to yield an additional income f Rs 5.50 crores. Court fees and gistration fees are to be revised upwards yield Rs 2.50 crores. A tax on vacant nd in urban areas is expected to yield income of Rs 2 crores. It is also pro- osed to levy tax on the purchase of attle in village markets and fairs. This likely to yield an additional revenue of s 1.85 crores. All these measures are ex- ected to yield a total revenue of Rs 24.15 rores. Apart from the additional revenue rom these levies, Mr Tiwari hoped to over the deficit through economy in overnment expenditure, effective recovery f government dues and rationalisation of and revenue rates. He also hinted at ome more proposals for the mobilisation f resources in the course of the year.

grant of DA

Mr Tiwari announced the grant of one nstalment of additional dearness allowance o the state government employees with ffect from March 1, 1976, costing the xchequer Rs 13 crores. It has also been ecided to implement the group insurance cheme for all state government employees. he chief minister also announced relief to ensioners by way of increase in pension ates in three slabs of Rs 10, Rs 15 and s 20 a month. Temporary employees be- oming blind or invalid during their service eriod would also be entitled to pension.

Outlining the new development strategy, Mr Tiwari pointed out that the main thrust was to accelerate the development process in agriculture by increased use of scientific, technological and modern methods. Already the state has taken some significant strides in this field. The output of kharif foodgrains during 1975-76 was 7.06 million tonnes as against 6.24 million tonnes in 1974-75. Of this the production of rice was placed at an all-time high of 4.39 million tonnes. Mr Tiwari indicated that a production target of 13.56 million tonnes had been fixed for rabi foodgrains during the current year.

Main emphasis in increasing overall foodgrains production in the state is likely to be on wheat, paddy and pulses. The state proposes to achieve an additional output potential of 1.55 million tonnes of foodgrains during 1976-77 through major and medium irrigation (280,000 tonnes), state minor irrigation (96,000 tonnes), private minor irrigation (420,000 tonnes) soil conservation (53,000 tonnes). HVP (210,000 tonnes) and double and multiple cropping (500,000 tonnes).

quality seeds

Arrangements for the supply of quality seed have been given high priority and this task has been assigned to the state agriculture department, the Tarai Development Corporation and the National Seeds Corporation. A scheme has also been drawn up to raise an additional quantity of 30,000 quintals of quality seed on the land of selected farmers which will be available for distribution during kharif 1976. For this purpose 400 quintals of foundation seed have been supplied to the progressive farmers and in addition 800 quintals of foundation seed will be multiplied in 146 seed multiplication farms of the agriculture department.

The state has developed an organised plant protection service, having centres at each block manned by expert operators with sufficient machines available locally. At the regional level, mobile training teams have been provided in addition to surveillance teams for locating outbreaks of ep demics, particularly in endemic areas. Th plant protection schemes propose to cov an area of 11.2 million hectares durin 1976-77 as against 10 million hectares las year. The target for 1978-79 has bee placed at 14.4 million hectares.

In view of the importance of sugarcan to the economy of the state, intensive can development activities are carried out i thirty-six districts, including two hill districts of Naini Tal and Dehra Dun. A present, 74 sugar factories are in operatio and 25 new sugar factories, in the co operative sector as well as in the publi sector, are likely to come up by the end o the fifth Plan. The state aims at providin sugarcane to all these existing and propose units according to their capacity from minimum possible additional area under sugarcane. Average yield is to be raised through the use of improved sugarcane varieties.

rural employment

The drought prone areas, inhabited by some of the poorest segments of the rural population, are also receiving special allocation of the state. The bulk of this population is engaged in a perennial struggle for life. The objective of the programme is the creation of rural employment through construction of productive assets such as irrigation works, afforestation and road works. It cannot be denied that inadequate planning of works led to construction of many non-productive assets, but now the approach has been changed to integrated area development in place of short-term relief operations. Emphasis has been laid on identification of core sectors on the basis of the resources and local felt needs.

A three-fold strategy for ‘drought proning’ in Bundelkhand and in Baghelkhand is to be adopted. For the plain areas, exploitation of ground water will be undertaken to increase production during the dry season. For the plateau area, the programmes for increasing the number of storage reservoirs and bunds along with afforestation, will be taken up. The supporting institutions will be strengthened and new ones explored to provide the necessary services. The aim largely is to activate the rural people to evolve an economy less dependent on the vagaries of rainfall.

POINT OF VIEW

What a journalist should know about profit

Carl H. Madden

> Substance of an address by Mr Madden, who is Chief Economist, Chamber of Commerce of the United States.

IF MY assignment is "the future of profits s a share in the system," why is the peech entitled "what every journalist hould know about profits" but probably oesn't ?

The simple answer involves a serious ocial problem. If the American people on't understand about profits better han they do now, the share of profits in he system is very likely to keep shrinking, raising the serious question of the future of the US economic system and of the American people.

What people think about profits, to judge from surveys, is so far from true to be puzzling. Everybody grossly overestimates business after-tax profits. Opinion Research Corporation surveys show people think that the average manufacturer makes 28 per cent after tax profits on sales. The actual average profit last year was 4.7 per cent. This gross overestimate runs the gamut of society—professional and managerial people, blue collar workers, Democrats, Republicans, so-called thought leaders.

'too much profit !'

A growing proportion of people—35 per cent last year compared to 26 per cent in 1971—think this is too much profit. A bigger group think government should limit profits—40 per cent last year versus 33 per cent in 1971 and 25 per cent in 1962. A still larger group—43 per cent last year—believed the most practical way for workers to increase their standard of living is by getting more of the money companies are already making rather than by all workers producing more.

Whether business using recent past methods can effectively communicate with people is open to question, to judge from recent opinion trends. While in 1968, 59 per cent of people polled by Louis Harris had confidence in business credibility, last year it was only 29 per cent and among the group age 18 to 21 it was only 15 per cent. So the conservative columnist James Jackson Kilpatrick observed, "business is still in solid with the infants"—and, one may add, they are about all.

Projecting by an economic forecast the share of profis in national income during the middle 70's in such a climate of opinion might yield only specious accuracy although on balance it would be easier and more comfortable merely to project numbers than to deal with these broader issues.

unattractive return

How many journalists, do you suppose, know that in a nation of 211 million people, having in 1972 about 132 million people over 20, there were 30 million stockholders ? How many know that shareowners are leaving the marketplace in droves—30 per cent of American families owned stock in 1970; only 21 per cent in 1973? How many journalists know why it is becoming so difficult to raise capital in the marketplace to finance business growth and expansion—only 99 new issues of stock were sold in 1973, down from 568 in 1972 ? The answer, which does not square with public opinion about business profits, is that during recent years the return on invested capital has not been very attractive, as any stockholder can testify.

But journalists kid themselves if they think profits should interest only 30 million stockholders and the 2.5 million proprietorships, the 176,000 active partnerships, the 281,000 corporations, and the 2.8 million farmers in the country. Profits also should interest 33.5 million workers in the non-farm labour force covered by major private retirement plans in 1972, out of a non-farm work force of 78.2 million in the country. Nearly $ 180 billion in assets were held by private pension funds in 1973; the non-insured funds held by bank trust departments alone has $ billion in common plus prefe stocks in their 1973 portfo Every journalist should know tha fourth of what businesses shell out those they employ is over and above for time on the job. This list of bene paid for by the employer were c called "fringe" benefits, but the fri has grown so long that the term is misnomer. Finally, profits sho interest the holders of 365 million poli in force in the giant US life insurance dustry, having among its $ 240 billion assets in 1972 nearly $125 billion inves for policy holders in securities. Pro affect all these people and all th assets.

Journalists ought to know, in ot words, that profits in fact have a h role to play in the lives of a majority people in this country. We all kn that, in the words of Walter Cronk "the 99 cats that did *not* get lost are newsworthy," that news concerns unusual. But isn't it a little unus that people can be so far off the m about a matter that affects millions individuals directly, more milli indirectly, and the future of the economy and its people ? Isn't the tr about profits about to qualify as news

it should be news

To people who think profits are 28 c after taxes on the sales dollar it sho be news that the average manufactu makes less than 5 cents, and for all n financial corporations, the figure is *more than half a nickel*. Journalists ou to know, too, that profits related to s allow current comparisons, but measu on stockholder's equity in the corp tion's assets—measure return on investments. Here, the figure for m facturers averages 11 per cent, nowh near 28, and it has been tren downward since World War II. J nalists should understand the simple that investors—people with money to stock or lend to business or to len banks or the government—compare they can get as a return in buying s or instead lending their money. If ock yields average 10-11 per cent, t lending yields almost as much with s risk, why buy stocks ?

But what about the corporation sers ? How many journalists know that en among *Fortune's* list of 500 largest dustrials, accounting in 1972 for 65 r cent of the sales of all industrial rporations, the median (middle) return n sales was 4.1 per cent, on equity 10.3 r cent, but 22 firms suffered negative tes of return on equity and 21 in rate ' return on sales ? Against these losers, vo gained more than 15 per cent on les (compare that with the 28 per cent gure in the surveys !)

Inflation exaggerates the size of pro- s. The higher the rate of inflation, the reater the amount of exaggeration.

Equally, if not more important, ported profits do not reflect the true onomic cost of invested capital, rticularly the part of the shareholder's ofits that are plowed back into business the form of "undistributed" or etained" earnings.

(1) Journalists ought to look at udies of the *shift in percentage shares of ational income in inflation*. That's what is speech is supposed to be about. The onventional wisdom is that wages lag hile profits swell. G. L. Bach and J. B. ephenson, in *The Review of Economics d Statisics*, February 1974, find otherise in a study of the facts.

The facts show "the dramatic shift in ational income to wages and salaries om business profits during the past two ecades of inflation. Moreover, the shift as concentrated during the strong inationary sub-periods."

wages-salaries share

Over the whole period from 1950 to 971, the wages-salaries share rose by .6 per cent, but by a total of 7.9 per cent uring the three strongly inflationary ub-periods : 1950-52, 1955-57, and 965-71. The wages-salaries share fell uring the intervening stable or falling rice periods: 1953-54 and 1958-64, while he corpoate share rose.

But, the journalist asks, what about lepreciation allowances? Every journalist hould know that these set-asides are ntended to allow corporations to replace heir structures and equipment when hey become obsolete or need modernisng. Corporations have accelerated the ate at which they take depreciation harges in recent years. Using profits lus depreciation as a per cent of GNP instead of profits alone, the corporation share declines by 2 per cent rather than 6 per cent. Even so, though, this is by no means the whole story, although we are talking here about 2 per cent of the total GNP from 1950 through 1971 (.02 x $ 12,740 billion or $ 255 billion).

(2) Equally or more important, all companies lose during inflation because *depreciation charges fail to cover replacement costs during inflation*. Over the quarter century since World War II, as George Terborgh shows, of reported profits of about $ 700 billion, $ 130 billion were "paper" profits reflecting the under-charging of depreciation because of failure to recognise inflation.

Terborgh shows that in the post-war era to 1970 the average relative overstatement of after-tax profits was around 22 per cent, the degree of overstatement varying widely over the period depending on the rate of inflation. Because of this history of overstatement, effective tax rates on adjusted corporate income have been substantially *higher* than on reported income, the excess for the post-war era to 1970 as a whole averaging 6 percentage points. And adjusted corporate saving (retained earnings) was *lower* than that reported by roughly one-third.

overstating profits

Every journalist ought to understand how a failure to charge enough depreciation leads to overstating profits in an inflation. It arises, quite simply, from charging on the corporation's books as a set-aside or reserve only the *historical* costs of physical assets consumed by the firm in the process of production (fixed assets and inventory).

When the buying power of the dollar is shrinking, charging these historical costs—that reflect earlier, and so lower, price levels—is not enough to pay fully for replacing the real assets used in production. Only when costs and revenues are meaured in the same dollars can the difference between them (profit) be correctly determined. Counting as profit the shortfall between historical depeciation allowances and currently higher replacement costs creates a large element of fictitious—"paper"—profits in the total profits figure.

(3) But this point gets us back to investors—shareholders. *In inflations, reported profits do not reflect the true economic cost of invested capital.* The point applies particularly to shareholder profits that are ploughed back into business in the form of earnings the corporation keeps in the business a does not pay out to shareholders—tha is, "retained earnings," as they a called, or sometimes also "undistribute profits."

In this country, investors have trad tionally bought stock hoping it woul rise in value, even more than they bu stock to get dividend earnings from i For one thing, a rise in the price of stock, when realised by its sale, is taxe as capital gains rather than ordinar income. Shareholders have allowe management to "retain" more than one half the after-tax earnings year after yea (60 per cent in 1973) in the hope tha these reinvestments would increase th value of the companies and would b reflected in rising stock prices.

low stock prices

Do you suppose every journalist knows that despite all these reinvested earnings year after year, industrial stock prices are not as high now as they were ten years ago ? The record is even worse for shareholders if the dividends they receive are deflated for price rises.

Everybody has benefited from these retained earnings except shareholders. In the past ten years, over $ 200 billion of shareholder earnings have been invested in American companies in the form of retained earnings. These huge sums were used to build plants, buy new and better equipment, expand markets, provide jobs, and pay taxes.

However, as stock prices show, the companies on whom the future prosperity of the country now depends. are not earning enough profits, compared to the less risky return investors can get by lending to the government or to banks and others, to reward investors adequately for the risk of their capital and its use. And every journalist should know, but probably doesn't, that this matter is not merely concerned with that favourite journalistic cliche, the Wall Street lottery. It is concerned with the future value of the savings, directly or indirectly, of a very large majority of the American people.

(4) Coming now to taxes, *inflation operates through the corporate income tax as a tax on the assets as well as the income of corporations*. Corporations pay income taxes on reported profits. Last year, non-financial corporations reported $ 96.5 billion in pre-tax profits and they paid $ 46.6 billion in taxes on that income, for an average effective tax rate of 48.3 per cent. George Terborgh has recently adjusted these figures to conclude that

re-tax profits were overstated by some 26 billion. He calculates, using Commerce Department measures, that lepreciation based on current rather than iistorical costs would have exceeded by 9.1 billion the estimated $ 68.3 billion ictually charged off on corporate tax eturns. Terborge also adjusts inventory charges (discussed below) to current costs and estimates that the cost of sales was understated $ 17.3 billion.

These adjustments for inflation place the profits figures for 1973 in a startling new light. The adjusted after-tax net profits ($ 23.5 billion) was *less than half the reported figure* ($ 49.9 billion). Indeed, adjusted earnings for 1973 *were less than two-thirds* of the $ 36.1 billion in adjusted profits for 1965. Using adjusted figures, last year industry paid out 95 per cent of real after-tax earnings in dividends. In 1965, the pay-out rate was only 47 per cent.

tax on assets

Journalists need to understand that under the present tax code inflation-generated income in the form of inventory profits (discussed below) and understated depreciation charges is fully taxable. But in fact such income represents only a restatement of the value of the firm's assets in deflated dollars. If the firm were allowed to keep such "profits", it could maintain its real market value in the face of inflation. But it is allowed to keep (at a 48.6 per cent effective tax rate) only about half of this income. In other words, *inflation operates through the corporate income tax as a tax on assets of businesses.* Of course, if Congress passed a tax on business assets, journalists would recognize the event as big news.

(5) Now we come to the impact of inflation on inventories, stocks of goods that corporations must keep in order to serve their customers, whether other businesses or consumers. I'm not sure every journalist ought to understand inventory valuation adjustment, but we can all be sure they probably don't.

Inflation creates inventory profits—that is, rises in the price of existing stocks on the shelves of business—that are misleading, since the inventory has to be replaced by higher priced goods. These inventory profits must be excluded to gain a true picture of corporate profits.

Inventories used up in producing and selling goods and services represent costs. These costs should be charged on a replacement basis to recover the value of the inventories consumed. If the firm does not recover enough dollars to replace its inventories fully, then it overstates its profits while in fact suffering a loss of its real capital.

How much in a period of rising inflation the firm may overstate profits and understate inventory costs depends on the accounting method it uses, whether FIFO or LIFO. FIFO means "first-in, first-out," a method of charging off inventory costs by counting the items bought first (first-in) in the sequence of inventory charges (first-out") at their historical cost. The FIFO method. in a rising inflation, typically undestates the cost of inventory consumption. Inventories are charged to the cost of sales in the order of their acquisition, so they are charged at prices prevailing at an earlier accounting period; that is, typically at less than current prices.

On the other hand, LIFO (last-in, first-out) normally ends up approximating current—that is, replacment—cost and so avoids overstating profits or creating capital losses. Other accounting methods are in use, but the salient fact is that FIFO accounting is in wide use in US business. As a result, in a period of rising prices such as the post World War II era, profits are typically overstated from under costing inventory consumption.

valuation adjustment

The conversion of inventory consumption charges from historical cost to their current cost equivalent is computed by the Department of Commerce as the "Inventory Valuation Adjustment." In the calculation, allowance is made for inventory adjustment currently charged for income tax purposes by the LIFO method. Only the remaining charges are converted. Last year, the impact of rising inflation on inventories was nearly tripled over 1972. while the Consumer Price Index rose 8.8 per cent, the IVA rose from a 1972 level of $ 6.9 billion to $ 19.0 billion.

Inflation in the first quarter of 1974 kept rising. As against previous year's 8.8 per cent rise in the Consumer Price Index, from April 1973 to April 1974 the rise was 10.2 per cent, and in the last three months it was at an annual rate of 12.1 per cent. Thus, reported corporate profits in the first quarter this year rose 12 per cent, but the rise was due entirely to inventory profits.

It is time to sum up the impact of inflation on profits. Every journalist should know about it, the same as journalists already know at least s thing about how inflation affects wag salary income :

1. Recent inflation has seen a stantial shift in the distribu of current income from busin (profits) to wages and salarie
2. In the recent inflation the shif income shares has been intens by overstated profits resul from understated deprecia charges.
3. In the recent inflation failur business to earn enough profits to pay investors for p ing their money at risk h explain why the stock marke down and investors are quittin market.
4. Inflation acts through the co rate income tax as a tax on assets as well as the incom corporations.
5. Inflation, especially at ri rates, creates large illusory ventory profits, most rece (first quarter 1974) absorbing entire total of reported pr gains.

By early this year, major busi corporations found that investible f generated internally were not r nearly as fast as the rising cost of plants and equipment (capital equipm as distinguished from structures, acco for five-sixths of corporate depreciat They began to scramble for borr money at banks and in the public m and capital markets. Interest rates up; savings flows were diverted mortgage lending; common stock p dropped; now concern rises about adequacy of corporate cash (liquid international markets have been affe

menace of inflation

Every journalist really ought understand at least this much a profits, the ordinary American inflation. Inflation at recent rates menace, its gravity "can hardly be estimated", as Federal Reserve chai Arthur Burns stated recently, saying past experience is any guide, the f of our country is in jeopardy."

It should be of interest to journali well as money managers that the co ing lack of recognition by the Ame public of the facts and the ro profits—not so much in business but in the lives and real interest majority of Americans—is part of the at.

Part of the story journalists should be ng the American people concerns re growth, capital needs, and profits. next upswing in growth is likely to n in 1975 and carry the economy ard through 1977. Today, economists devise econometric models to them in forecasting. These are ems of mathematical equations mulating" relationships in the nomy. Using computers—and making ain crucial assumptions about future nts—economists can "solve" the equans to gain numerical estimates of re economic relationships year by year the future.

Our growth prospects to 1985 under ventional assumptions in such a thematical model, will be less than the growth rate of 4.7 per cent in the five years, but they are close to 4 cent—3.9 in fact. A slowing in labour e growth and the rate of family formn by 1980, from declining birth rates of 1960's, slows down the model by then real growth rate potential of 3.6 per t.

What kind of an economy is it to be, seen conventionally ? Investment m, rather than weak demand, is the mark of its potential. This flows out 5 years of under-investment that has ated a shortage of capacity, out of a ional goal to develop domestic energy rces, and a national urgency to con- existing capacity to low energy and pollution technologies while rebuild- America's urban centres. This is mammoth task, and it will take mmoth investments.

two views

Here are two ways to look at it, n-comparable but vivid. General ctric economists estimate that in the t twelve years, US capital investment ds will be nearly $ 4.5 trillion, for er plants, for producing and distriing fuels, for factories, transportation, m equipment service industries, educan and cultural activities, bigger business entories and other needs.

More in perspective, the conventional nomic model foresees investment, en a 4½ per cent unemployment get, rising from its historical trend of 5 per cent of GNP to nearly 12 per t in 1980-85, providing an underlying ngth to the economy. The logic of model calls for moderate monetary wth, an end to the present outrageous ation, and given these assumptions, calls for near balance in the Federal budget.

Assuming the inflation at present rates can be licked, the big problem is financing the huge investment. The model leaves no doubt that, barring policy errors of crisis proportion at home and barring crises abroad, economic advance will be strong and jobs adequate for a growing labour force.

business investment

Business investment in the model grows rapidly to 1980. Even if the present episode of inflation is controlled, the model projects higher inflation rates—4.2 per cent after today's inflation is over—than in the 1960's, even though productivity grows along its trend at 2.6 per cent a year.

Will profits be enough to induce and finance the investment expenditures needed to end the current shortage of capacity, develop domestic energy sources, convert capacity to low energy and low pollution technologies ? The conventional model is not that sanguine, though it also does not substantiate fears of a substantial decline in profit shares.

As every journalist ought to know, the model starts with the overall trend downward, the slow downward drift, of the profits share in total output (GNP) since World War II. It reflects the change in Internal Revenue Service regulations on depreciation in 1954, 1962, and again in 1971 when it introduced the depreciation range series. The model thus reflects the liberalised rules, allowing funds to be shifted from profits into capital consumption allowances, in the national income accounts.

The model shows that the profits share, profits being expressed through the Internal Revenue Service concept, will continue its downward trend, from the surge that saw the share reach 7 per cent in some years of the 1960's, to 4.9 per cent by 1980, and 4.2 per cent by 1985. Gross cash flow, on the other hand, which peaked at 12 per cent of GNP in the mid-sixtes, stays near or slightly under 10 per cent of GNP to 1985, exclusive of cyclical fluctuations.

The forecast allays fears by making some important assumptions. It assumes labour will spread out over the time to catch up from its loss in real wages. Therefore, the model assumes that the rise in costs for business per unit of labour—that is, "unit labour costs"—will not be as great on this account as otherwise would be the case. If unions press wage demands and try to recoup rapidly, profits in the model will bear the burden in 1975-77.

But the model cautions that the average growth of raw materials prices for industry will be above historical rates. This faster growth, of course, will create illusory inventory "profits" in coming years, though not so bad as in 1973. The model also assumes that wholesale prices, especially for raw industrial commodities, will stabilise after their surge in 1973 and early 1974.

Another factor expected to be favourable to profits is that the rate of use of industrial capacity in the conventional model will probably remain high for the next five years. The model forecasts that long term interest rates will also remain high, near 8 per cent, putting the cost of capital in real terms (that is, corrected for inflation) at near its historical level of 4 per cent.

A cautionary note about forecasting by econometric models is in order. The crucial assumptions needed to "solve" the model are themselves flat forecasts of future policy decisions. But the heart of the matter of how the economy will behave is whether these policy decisions will be wisely made. About that question recent events do not necessarily inspire confidence, since it takes intelligence, broad public understanding, a sense of national unity, courage, imaginations, and integrity among leaders throughout society to make wise economic policy decisions effective.

unanswered questions

The material of this subject, the future of profits as a share of the system, is bristling with both unanswered questions and policy issues of great import to the American people. The occasion prevents debating them, but some deserve mention. First, government in all its branches needs to recognize the economics of profits, inflation, and future economic growth. The Chamber of Commerce of the United States fights hard to gain a hearing on these questions. Of 20 leading industrial nations, only the US and the United Kingdom tax both short-term and long-term capital gains. Fifteen have no capital gains tax at all. The taxation of capital formation in the US is harsher and less realistic than in most competitor nations. The proportions of our GNP put back into capital investment is also lower than any of the other top ten industrial nations. These matters are all well known, though vigorously debated, by economists.

Why are the public and many govern-nent officials indifferent to these matters? ndeed, in some quarters it is even in ogue to question the desirability of conomic growth, to suggest a policy of ational retrenchment, and thus—presumably—to avoid using new technology constructively to convert our economy to lower energy and lower pollution processes that count the total costs—including social and environmental costs—more effectively in the price of goods and services demanded in the market.

These are not the only policy issues. There is the issue of the social activist and profit. Opinion Research reports that social activists are not only highly critical of the US business system as a whole, they also wholeheartedly believe that corporations should become instruments of social change even if it means making less profit, which raises the question of incentives for business. There is the issue of profit sharing, a controversial subject, but proposed by people who believe that the securities markets can serve the small investor by generating demand for shares through giving more employees though their own corporation a piece of the action. There is the issue of inflation-adjusted accounting, much discussed in Britain. There is indexation, attractive on its face, but open to grave doubt.

an anecdote

Let me end with an anecdote about television news. First, however, we should remember that American adults on average now spend a majority of their passive recreation time viewing TV. They spend only about 15 per cent or less of it reading magazine articles, and two per cent reading books.

A business economist, Robert L. McLaughlin, recently wrote an article in *Business Economics*, the journal for business economists, called "Two Minutes in the Life of American Capitalism." The two minutes was a report appearing on John Chancellor's NBC Evening News by correspondent Jack Perkins, May 3, 1973. In his two minutes of prime time Perkins delivered a 290-word script containing 21 percentages.

Although profits in the US, as a return on investment, were around 10 to 11 per cent, the percentages that filled Perkins report—one every six seconds—ranged from 18 per cent to 150 per cent, with a median of 38 per cent and a mean of 49 per cent. These figures related to percentage gains in current dollar profits, unadjusted for inflation, paper inventory "profits" or understated depreciation expense and only remotely related to rates of return on investment or sales, or as a percentage of GNP. I myself have seen on prime time TV this year top executives reporting profits at annual meetings in terms of percentage *increases* of dollars profits over last year, giving few numbers as low as 10 to 11 per cent for these increases though most were inventory "profits".

Perkins, as a "good" reporter should, got the most out of comparing the rise in gasoline prices with *Wall Street Journal* survey results on current dollar profits gain, first quarter 1973 over first quarter 1972. The gains, as McLaughlin acknowledges, looked good. The inference of the two minutes was clear.

Two months later tha Opinion Research Corporation found in its national probability sample that the average citizen thinks after-tax profits of manufacturers are 28 per cent on the sales dollar.

Please do not misunderstand McLaughlin or me. Neither of us makes a simplistic case for some panacea, nor should you. But one cannot help observing that business itself long ago learned the power of TV in advertising, learned about probability sampli marketing, learned about low unit that is, efficiency—in marketing com cations. Why hasn't business used knowledge to get across to the publ accurate reporting of profits?

One man suggests: (1) Re-define you want to reach. Give realistic i mation to employees and the ge public, as well as to investors. (2) playing the percentage increase gam quarterly and annual reports. Deal the whole pie, not just the wedge c profits. (3) Give as much time and er and money to get better understandi company profit as it takes to do the Keep doing it.

I suggest that, in your thinking a the management of funds, the shar profits in national income, it woul good to avoid being victimised by sophistication. There are some t business could do to improve the cli for profits. One is to focus afresh o question. Public opinion does not in a vacuum. At the same time, I be every journalist should know en about profits to see the real intere the vast majority of Americans in i ligent understanding of the prob whatever its views.

Eastern Economist 30 Years Ago

MAY 3, 1946

In a communication addressed to the Commerce Department of the government of India, the Bengal National Chamber of Commerce have demanded that the practice of re-exportation of tea from the U.K. should be put an end to, if advantage is to be had from the prevailing conditions on the different markets. The ultimate destinations of the teas exported through the ministry of Food in England during the war years are not yet known on account of statistical black-out. The pre-war figures are available and worth a review. The total quantity of tea which had been re-exported from the U.K. during a normal pre-war year amounted to 66.09 million lbs. Of this the off-take of the U.S.S.R. was 8.55 million lbs. while Poland and Danzig accounted for 2.39 million lbs. Half of the total off-take of Germany of 8.02 million lbs. should also be clubbed under the U.S.S.R., since half the German area is under the control of the Soviet Union. Now that Russia is encouraging the cultivation of black tea within her own borders the off-take of the Russian group countrie fall short of the pre-war normal figure. I and Channel Islands accounted for 20 millio but this may undergo changes since the Iris State is inclined to have direct trade agre with us. U.S.A. and Canada took 13.1 4.07 million lbs. respectively, while the r the countries in Europe, South America, and other British possessions accounted f balance of 9.6 million lbs. Of the total re-e from the U.K. India's share was as much as million lbs., those of Ceylon and Nethe East Indies being 18.76 and 9.72 millio respectively. The net amount of India retained in the U.K. amounted to 254.4 lbs. Since in the years ahead the productio distribution of such countries as Netherlan Indies, Formosa and Japan, a part of Ch not amenable to estimates on account of l statistioal information, it is difficult to e our position in world tea trade.

timulating results of cooperation

Dr. V. L. Korneev

g recently some important steps been taken towards further develop- of Indo-Soviet trade and economic eration, the most important of them g the signing of the protocol at the meeting of the inter-governmental mission on economic, scientific and nical cooperation.

nis commission which was established 972 proved to be an important body solving the present as well as the re questions of Indo-Soviet economic peration. The implementation of the sions taken at the previous two tings of the Joint Commission played mportant role in the strengthening Indo-Soviet economic ties based ideals stipulated in the documents ed by L.I. Brezhnev and Mrs Indira dhi during the former's visit to India November, 1973.

ne of the important features was the ng for the third meeting of the commission—it was held just after the 25th gress of the CPSU, which adopted programme for the further developt of Soviet economy during the next -year period as well as for the devement of the USSR economic ties with eign countries.

ndia's friendly ties with the USSR e specifically mentioned. Stated Mr zhnev at this Congress: "Close political and economic cooperation with the public of India is our constant policy".

sound foundations

ound foundations for the developnt of all forms of Indo-Soviet relans were laid by the signing of a treaty 'Peace, Friendship and Cooperation" tween the two countries nearly five ars ago.

The protocol of the third meeting of commission noted with satisfaction t significant progress has been made the development of Indo-Soviet ecomic cooperation since Mr Brezhnev's it to India. The projects set up through lo-Soviet cooperation have greatly proved their performance and through ir efficient operations have contributed the encouraging results of the public tor in Indian industry.

The meeting had set itself the task of wing up the lines on which further peration between the two countries ld be developed both in traditional d new areas.

Thus, in the case of the steel industry, both sides reviewed progress made in the expansion of the Bhilai steel plant to four million tonnes annual steel capacity, the implementation of the first stage (1.7 million tonnes capacity) of Bokaro steel plant and its expansion to four million tonnes steel capacity.

Matters related to the operation of machine building plants in Ranchi, Hardwar and Durgapur were discussed. The USSR agreed to give assistance to "BHEL" (Hardwar) for the production of large D.C. electrical plants.

further development

Considerable attention was given to further development of cooperation in the oil industry which has assumed great importance for the Indian economy in recent years. While noting with satisfaction the successful completion of the joint exploration of reserves of oil and natural gas in the various sedimentary basins of India, both sides agreed to continue joint efforts in the exploration and exploitation of oil and natural gas reves in India. In the field of oil refining, the role of Mathura refinery which is being built with Soviet assistance was underlined.

In coal mining, besides providing further cooperation in the development of coal deposits in the Singrauli and Raniganj coalfields both sides have examined the question of training Indian specialists in hydromining in the USSR coal industry, keeping in view the possibility of further cooperation in this particular field in the fuutre.

A new area for Indo-Soviet economic cooperation will be opened with the development of the Malanjkhand copper project. Soviet organizations have already prepared and submitted a detailed project report for Malanjkhand copper concentration.

But, as was stated by Mr P.N. Haksar, the most important achievement of the third meeting of the commission was in the identification of several areas of production. It was agreed that after the geological investigations were completed, both sides would study the possibility and feasibility of setting up an alumina plant including the preparation of the feasibility report. This plant might have a capacity of about 500,000 tonnes of alumina per annum based on new high quality bauxite deposits recently discovered in the eastern coast of India.

In the case of the textile industry, the possibility of setting up cooperation on long-term basis was discussed. It was noted that this cooperation could be developed by the supply of cotton from USSR to India over and above the quantities stipulated in the Trade Plan and counter purchases by the USSR from India of cotton textiles and yarn for the equivalent value. It was decided also to study the possibility of delivery from the USSR of machinery and equipment for the modernisation of certain textile mills in the public sector.

One of the promising new areas of Indo-Soviet economic cooperation is electronics. The questions for the development of our cooperation in this area which were discussed during the third meeting of the Commission included the Soviet proposal to render technical assistance for erecting a plant for the production of 5,000 ferrite matrices per annum to be exported to the USSR on a long-term basis as well as on the question of possible organisation in India of production of separate assemblies and parts of electronic equipment to be supplied to the USSR on compensation basis.

exchange of views

There was exchange of views on the possibility of cooperation in the field of agricultural production, namely, the rendering of USSR technical assistance for increasing the production of certain kinds of agricultural products such as natural rubber and castor oil with their delivery to the USSR on a long-term basis. Cooperation in third countries was also discussed.

At present discussions on India's contribution to the projects which are being set up with Soviet assistance in third countries are being completed. Negotiations in respect of additional similar proposals are under way. The questions pertaining to the possible participation of Indian organisations in civil erection works at some projects to be completed by Soviet organisations in third countries on turn-key basis were also discussed. It was agreed that the corresponding organisations of two countries would hold further talks on possible forging of such cooperation.

WINDOW ON THE WORLD

Economies east and west

Jossleyn Hennessy, London

I

SINGAPORE

PRESENT SITUATION : A significant fall in the rate of inflation, coupled wtih a recovery of business confidence, suggests that worst of the recession may by over.

Outlook : The government is aiming for a 10 per cent increase in GDP this year.

Gross National Product : £2,122.8 million (1974)

Population : 2.25 million (mid-1975 estimate)

Government : People's Action Party. Prime Minister : Lee Kuan Yew

Exchange Rate : S$4.83=(£1=US$ 1.943)

Reserves : US$ 2923.9 million (September, 1975)

Despite the vulnerability of Singapore's open-economy to the world—wide recession, a growth rate of around four per cent is estimated for 1975. In the first two quarters of last year the economy was almost stagnant, registering only a 0.2 per cent rise, but business expectations then recovered and economic growth in the third quarter was as high 14 per cent above the previous two quarters, strengthening the view that the worst of the recession is over. Consumer prices, rising at an annual rate of 34 per cent in March, 1974, showed no upward movement in the twelve months to the end of October, 1975. Singapore's immediate problems, however, appear to be over-capacity in the petroleum refining, oil-rig building, ship-building and ship-repairing industries, which have absorbed substantial investment funds.

For its size and population, Singapore's political influence, particularly in the ASEAN (Association of South East Asian Nations), is considerable. The current discussions within the ASEAN group to promote close economic co-operation (including tariff reductions) should enable Singapore substantially to expand its role as a regional manufacturing, services and financial centre.

In the twelve months to the end of June 1975, the industrial production index fell about 11 per cent. This was due to a number of factors, including the world-wide recession and the loss of the Vietnam outlet, which seriously affected the petroleum refining industry. However, a more substantial decline might have occurred but for the better performances of industries such as non-electrical machinery, manufacture of transport equipment, oil-rig construction and the production of fabricated metal products.

remarkable recovery

The third quarter experienced a remarkable recovery with even the worst hit in the recession—affected industries such as textiles, wood products and electronics—recording impressive gains. Provisional figures show a 16 per cent expansion in output in the September quarter compared with the second quarter of 1975; whilst such a high rate of growth is unlikely to be sustained, a gradual recovery in industrial production is expected in 1976. Nevertheless, the outlook for some of the key growth industries of recent years remains unfavourable; the petroleum refining industry, the third biggest in the world with a capacity of one million barrels a day, is working at half its capacity mainly because of the decline in world demand for oil ahd the loss of the Vietnam market. Since the major oil-producing countries are increasingly refining their own oil, Singapore's refineries (which import all their input from the Middle East) are bound to face an uncertain future.

Ship building and ship-repairing together with oil-rig construction were mainly responsible in minimising the severity, caused by a back-log of orders, of the industrial recession last year. However, the current depression in world shipping and tanker markets, expected to prevail for some time, has already led to retrenchments and a reduetion in man-hours. Although the oil-rig building industry (at the end of 1974 Singapore emerged as the second biggest builder of mobile rigs in the world) has sufficient orders to last until 1977, recent months have seen increasing competition from Japan and a surplus in world stocks. The problem
has also been exacerbated by reg
factors : rising nationalistic sentin
in Thailand, the suspension of explor
activities in South Vietnam, the unc
nties resulting from the attempt
Petronas in Malaysia to control fo
oil companies and the financial diffic
of Indonesia's Pertamina have all ind
caution among rig contractors.

Singapore owes its emergence as a
onal manufacturing centre with a
industrial base to its initiative and a
in making the best of the economy's h
dependence on foreign investment
imported technology. Foreign invest
attracted in 1974 totalled nearly S
million, but last year this is estimate
have fallen to S$ 330 million. To co
the decline the government has incre
the tax holiday period for pio
industries from five to ten years (effe
from last September) and abolished
requirement that companies seekin
qualify for pioneer status must inc
initial fixed capital sum of at least
million Singapore dollars.

money market

The financial sector has continue
develop; currently there are 66
mercial banks of which 33 have
licences, 12 have restricted licence
21 have offshore licences. In add
there are six international money br
and four discount houses.

The Asian dollar market has gro
regional importance. Over 80 per c
the total funds of US $12,000 milli
used to service the region.

There are plans to establish a
futures market, which, together wit
existing export market, should
Singapore to extend its importanc
regional financial centre.

Since an easing of the moneta
traints in July last, money and cred
continued cheaper and easier to
The reduction in the minimum ca
serve ratio from seven per cent to
cent in July (which increased the li
of the commercial banks by S $83 n
was accompanied by measures e

ts to quote competitive interest rates oans and deposits. Also, in hopes romoting exports, the rediscount rate export and pre-export bills was re- ed from six per cent to four per cent.

ngapore's trade deficit last year is nated to have marginally exceeded the deficit of S $4,986 million, How- , the balance of payments, aided by ings from shipping services and tou- , is expected to have registered a sur- . (Preliminary figures indicate a sur- of S $206 million in the first nine nths of 1975). Total foreign reserves by US $ 313.4 million to US$ 23.9 million in the twelve months to end of September 1975.

Value of Trade : Singapore

(in million Singapore dollars)

	Exports	Imports	Balanc
0	5,756	7,068	2,312
4	14,157	19,143	4,986
3-74 (Oct-Sept)	13,493	17,909	4,416
4-75 (Oct-Sept)	12,463	18,032	5,569

he government expects that the econo- will grow by 10 per cent this year and reafter 13 per cent for every year up 1980.

he expected recovery of the major in- trialised nations certainly supports the vernment's optimism. However, much l also depend on the amount and qua- of foreign investment.

he growth of economic nationalism in ailand and Malaysia's plan to increase miputra (Malay) participation in the onomy may help Singapore to emerge the most attractive country for foreign estors in South Asia.

II

Oman

Present Situation: Development con- ues under a new five-year plan.

utlook : The increase in oil produc- n should make more funds available Oman's rising expenditure.

opulation: 750,000 (estimate mid- 3).

lead of State and Prime Minister: H.M. ltan Qaboos bin Said.

xchange Rate: 0.704 Omani Riyals= (£1=US $ 2.028)

man is the second largest state in the abian Peninsula. On replacing his father in 1970, the present Sultan launched out to develop both the social and economic infrastructure and to diversify the economy away from its dependence on oil by expanding the agriculture, fishing and minerals sectors.

The philosophy of maximum growth, which in 1974 led to an estimated gross per capita growth rate of about 260 per cent, has, however, created economic and social problems. Cash-flow difficulties in 1974 were believed to be due to the increasing cost of the war in the Dhofar, on top of massive development expenditure. This led to a tighter control in 1975, when a halt was called to all new large projects for three years, owing to the number already in progress. Inflation, caused by the rising prices of imports of capital equipment from industrial countries, increased public expenditure and soaring public and private consumption, has also jolted the economy.

A major problem is the lack of manpower; people holding 'key' positions tend to be members of the non-Arabic speaking imported work-force of 50,000.

main revenue

Oil production, essential to Oman's development, provided over 97 per cent of the government's revenue in its 1975 budget. Production (which began in 1967) peaked in 1970, but then fell and remained static until 1975 owing to technical difficulties at the four fields, where secondary recovery methods of gas and water re-injection were introduced to maintain production. Oil revenues, however, rose from $177 million in 1973 to $850 million in 1974, enabling the government to step up tax and royalty payments. With the opening of three new oil fields around Ghaba, production increased in December, 1975, to 385,900 barrels per day, a rise of 36.6 per cent compared to December, 1974. It is expected that production will increase further in 1976, possibly to over 400,000 barrels per day, with the opening of fields in Saih Rawl, in which the government also has a 60 per cent share. Oman's oil fields share a common pipeline to the port of Mina al-Fahal. Oman's oil reserves are estimated to be 5,900 million barrels. Heavy oil has been found in Dhofar, and there is some offshore exploration also.

Other mineral deposits have been found in north. Copper, in the area between Sohar and Buraimi is the most important mineral discovered so far and projected production for the end of 1978 is 3,000 tons of ore per day. Lead, zinc, chrome, chromite, silver and gold have also been discovered, as have asbestos, phosphate and manganese.

The agricultural sector provides employment for 70 per cent of the working population, although most of the production is at subsistence level.

The main objective of the government is to increase production, but irrigation remains a problem. Water resource surveys have been carried out, and experimental farms set up to advise improved methods of cultivation and give subsidies for fertilisers and high yield crops. The principal crops are lucerne, dates, limes, coconuts, tobacco, wheat (especially around Nazwa) and soft fruits. Squashes are also produced. By increasing home production, it is hoped to reduce imports of food, particularly eggs, purchases of which total over one million a month, and to increase production of the traditional export crops, limes and dates. The estimated value of agricultural production in 1975 was OR 31 million, of which OR 18 million was accounted for by fruit, OR 6.6 million by crops and the remainder by vegetables. To improve the quality of livestock, local sheep, cattle and goats have been cross-bred with foreign stock —for example Kenyan cattle. In Dhofar, dairying is now being introduced to complement the already important activities of cattle fattening and the production of vegetables and coconuts. However, development is hampered by the labour shortage and distance from the major markets.

cooperative farming

There is a movement towards cooperative farming since the average holding is four acres; cooperatives provide tractors and seed at 25 per cent of their actual price, and fertilisers at half their wholesale price. In 1976 the existing cooperatives will buy their members' produce.

The fishing industry currently employs 10 per cent of the population but there is considerable potential for expansion with nearby shoals of horse mackerel, bream, barracuda and groupers. At present catches include sardines, tuna, shrimps and lobster.

A report in June, 1975, recommended construction of a large ice plant freezer and cold storage at Matrah, and of smaller ice and cold storage plants in several areas where there are large quantities of fish but only a limited market; boats fitted with refrigerated units could transport the catch to larger markets. Seaweed as animal feed and fertiliser was also recommended.

The 1975 five year development plan

r Oman has been expanded to include hofar and will concentrate on Dhofar is year. The main aim in Dhofar is to evelop the infrastructure by building oads, five schools and three health cen- es. A flying doctor system is to cover 3 centres. Twenty million dollars are to e spent on well digging projects.

French and American natural gas exploitation plans costing $500 million announced in September, 1974, included a gas pipeline to feed a major desalination plant, an electricity generating station and a gas liquefaction plant. In December, 1974, a contract was signed by a British firm to construct 19 diesel gower generating stations for £22 million. Plans exist to extend the Muscat and Matah power stations in northern Oman with capacities varying between 1000 kVa and 1500 kVa.

Besides desalination and power plants, there are factories based on oil or natural gas, and several plants producing bottled soft drink. A flour mill and a sugar plant are also envisaged.

Government backed institutions exist to develop the infrastructure; for example, the Oman National Company for housing, in which it has a 37.5 per cent stake, provides loans to build and to repair houses, and is involved in new town developments of Greater Matrah and in Ruwi valley.

Foreign investment is attracted to Oman by a five year "tax holiday". The same was extended to local firms involved primarily in industry, agriculture or fishing with a capital of OR 100,000, or in oil prospecting; the holiday may be extended for a further five years.

increase in reserves

The Oman Currency Board, set up in 1972, acts as a central bank of issue. In 1974, there were ten commercial banks, and more have since entered the country. International reserves have increased with the growth of oil exploitation from $ 129 million in 1970 to $ 225 million in 1974.

Total government revenues estimated at OR 398.1 million with a deficit of OR 123.8 million in the 1975 budget, including the costs of debt servicing; this was covered by loans and aid. Almost 50 per cent of expenditure in the 1975 budget was on defence. About 72 per cent of the remainder was for development projects.

Oman's infrastructure has undergone rapid development. For example, in 1970 there were 10 km of asphalt roads but by 1975 there were 500 km. Airports are being improved. Seeb international airport was extended in 1975 and at Salah the airstrip formerly used by military aircraft has been converted. A national telephone network was inaugurated in November 1975 (previously the network had been confined to Muscat and Matrah); and international satellite links have been available since March, 1975.

The principal port developments in recent years have been at Mina al-Fahal (an oil terminal), Mina Qaboos (at Matrah) and Raysut (near Salalah). The old port of Sur is being redeveloped. Mina Qaboos, completed in 1974 at a cost of $ 48 million, is a deep water port, with berths for ten ocean-going vessels, which provides modern cargo handling and shorage facilities on a 42 acre site; the port's capacity is 1.5 million tons of cargo a year. Raysut and Sur both cater for smaller vessels and fishing boats.

In 1974, the leading suppliers to Oman (discounting entrepot trade from the UAE and excluding most military goods) were the United Kindom, Japan, Holland, United States and West Germany, but, alas, not India. Major imports consist of food, beverages, cars, machinery, textiles and electrical apparatus, in a total import bill of some OR 136 million. Entrepot trade forms a substantial portion of trade with other Gulf States.

III

FRANCE

Present Situation: Recovery in industrial production, although a decfiit has been recorded on foreign trade since September. The Franc has come under pressure on foreign markets and withdrawn from the European 'snake'.

Outlook: Continued revival in activity, but no marked improvement in employment. A persistent trade deficit and renewed inflation could induce new government measures.

Population: 52.7 million (February, 1975).

Gross National Product: 1,324.8 thousand million francs (at 1974 market prices)

Government: A coalition of the Union des Democrates pour la Republique, the Republicains, Independants and centre parties. President: M. Valery Giscard d'Estaing. Prime Minister: M. Jacques Chirac. Finance Minister: M. Jean-Pierre Fourcade.

Exchange Rate: £=FF 8.97.

Reserves: U S $ 12,593 million (December, 1975, estimate).

The economic recession in 1975 saw a 10 per cent fall in industrial produ and a strong rise in unemployment, led with a return to a surplus on fo trade and a fall in the rate of infla

Household consumption having over-all by around 2.5 per cent in terms during the year (a phenom partly attributable to September m res to boost consumption, the f domestic demand was thus largely centrated on industry. Investment f 4.5 per cent in real terms and stock —declined substantially. Overall ces Gross Domestic Product fell in terms by about 2.5 per cent, again rise of 3.2 per cent in 1974.

signs of upswing

The first signs of an upswing ap ed in the fourth quarter of 1975, fo ing the governments' refiationary pack

Household expenditure increased seven per cent compared with the quarter of 1974 and this in turn stimul a revival in consumer goods. Orders equipment goods by industry were mated to have been in 1975 some 10 cent above planned levels to take ad tage of government tax relief. The i of industrial production rose 3.6 per in December (seasonally adjusted) November's level, and by the en February, 1976, the recovery in indu was well under way in most sec However, this appeared to have been most entirely due to the upswing *domestic* demand, with no marked im vement in *export* orders.

Depressed industrial production th ghout most of 1975 produced a st rise in unemployment; there has bee improvement as yet in 1976. Regi ed unemployed reached a peak level 1975 of 925,600 (seasonally adjuste November, or just over five per cent o labour force, and, despite the emer recovery in industrial activity, the nu reached 928,200 in January, 1976, a 3 cent increase over 1974.

Some success was achieved in con ing inflation in 1975.

The retail price index rose by 9.6 cent in the year, compared with a ri 15.2 per cent in 1974, and the mo rate of increase had been reduced t per cent during the first ten month

These statistics however, mask di ties between prices of different categ of goods. The best results were ac ed in containing increases in pric manufactured goods, which rose by 7.8 per cent in the year to Decei 1975 (as against 18.6 per cent in ecting the effect of the recession on ustry, whereas the price of food rose 10.7 per cent (against 12.1 per cent in 4) and prices of services by 11.4 per t (13.4 per cent in 1974). A new up ge in prices was feared at the beginn- of 1976, when the retail price index e by a further 1.1 per cent; services wed a large 1.9 per cent increase be- se of higher energy, rent and public nsport charges. The government is nsidering new measures to control pri- of services, which is hardly likely to prove their quality or to attract new estment into them.

A remarkable feature of the crisis in 75 was that the average purchasing wer of households did not fall. Hourly ge rates rose on average by 14.7 per nt over the year (consumer prices rose by per cent). The rate of increase slowed wards the end of the year, but taking o account the fall in employment and e number of hours worked, the rise in erage purchasing power was probably nited to around 1.5 per cent. France's nimum wage rate, indexed on the cost living, was raised to FF 7.89 an hour January 1, 1976, or some FF 1,373 month (about £150) on the basis of a hour week, a 17 per cent rise on 1974.

The government has refrained from rther major measures of economic licy since the September, 1975, refla- nary package, as its aim to stimulate tivity seems to have been achieved.

The package involved the injection of 000 million francs to aid consumption rough the social payments and relaxa- on of hire purchase terms, additional penditure of some 13,000 million ancs in the public sector on major rojects, and to aid to industry through dditional tax relief. However, in an fort to ensure that industrial recovery accompanied by the creation of new bs, the government has recently approv- d measures authorising companies to efer half of this year's tax payments to e end of the year.

plan targets

The authorities have outlined their rgets for the seventh five-year plan r the economy for 1976-80. The prin- ipal aim will be to maintain full employ- ent and to this end a high average rate f growth of between five per cent and x per cent a year will have to be kept p. This, however, will put considerable rain on prices and on the balance of ayments, so that stricter controls, on rices and incomes in particular, will be ecessary. The target appear optimistic, they very much depend on the evolution of world trade and those of the equally ambitious sixth (1971-75) plan were not reached, mainly because of the recession in 1974-75.

The average growth rate of 3.6 per cent in Gross National Product was recorded during 1971-75, against the projected 5.9 per cent, and the number of newly created jobs was about a quarter of the target figure. However the total rate of investment and the development of foreign trade between 1971-75 were in line with targets.

Although a balanced budget for 1976 was planned, the government says that a deficit of between 4,000 and 5,000 million francs (following the deficit of 32,000 million francs in 1975) now seems likely. Limits on the growth of credit, an important part of the measures to fight inflation, will continue in 1976, but several categories of credit are now exempt. The government professes to believe that these controls will not restrict the banking system as a whole owing to recent slack in demand for credit. The growth of credit reached 14.3 per cent in 1975 (against 16.9 per cent in 1974 and 18.2 per cent in 1973), but monetary creation in the second half of 1975 to finance reflationary programmes brought the total money supply increase to about 16 per cent.

considerable improvement

Figures for 1975 show considerable improvement in the foreign trade balance over 1974. The year ended with a surplus on visible trade of some 5.7 million francs against a deficit of 16 million francs in 1974. This was achieved mainly by a cut back in imports (which fell by 24 per cent in value), as a consequence of depressed domestic demand. In particular imports of oil products were cut by 17 per cent (in volume), and France's bill for imported oil at 41 thousand million francs was some 10 thousand million francs below the limit set by the government. The total value of exports, on the other hand, rose marginally by two per cent compared with 1974, due mainly to an increase in sales of equipment goods. However, the situation deteriorated in the last three months of 1975, as imports rose with the industrial recovery. This was confirmed by the January, 1976, trade figures which showed deficit (seasonally adjusted) of 920 million francs.

Visible trade was mainly responsible for a surplus of some 1,600 million francs recorded on current account in the first nine months of 1975 (compared with a deficit of 26,100 million francs in the same period of 1974). The trade deficit in the last quarter reduced th the current surplus to only 100 million francs for 1975, but a large net inflow on capital account brought the basic balance up to a surplus of 23,400 million francs. Total official gold and currency reserves thus rose during 1975 to an estimated US $ 12,593 million, according to figures issued by the International Monetary Fund, as against US $ 8, 852 million at the end of 1974.

positive results

The positive results achieved in the spheres of inflation and foreign trade explain why the French franc remained one of the strongest European currencies in 1975. In the first three months of 1976, however, the Franc came under strong pressure on foreign exchange markets. The Banque de France intervened to support the franc following speculative movements triggered off by the closure of foreign exchange markets in Italy in January, and again underpinned the rate in mid-February and the first two weeks of March.

This pressure reflected foreign concern over France's growing trade deficit and feelings that the franc had become overvalued, in particular against the German mark. In consequence the French authorities felt compelled in mid-March to withdraw the franc from the European 'snake' and allow it to float.

French industrialists appear relatively optimistic about the short term prospects. Increases in production are expected in most sectors. The government hopes for a growth rate of four per cent to 4.5 per cent in 1976, but other forecasts are more cautious. The OECD estimates three per cent and point, out that even the government forecast would not be sufficient to produce a marked fall in unemployment. The government's ability to maintain reflation will be restricted by the need to contain new inflationary pressures and by the return of a deficit on foreign trade. The revival in imports has made it all the more imperative for further efforts to boost exports, and this may be difficult without a sustained upswing in world trade and in the light of some lack of competitiveness on the part of French industry.

Sources and acknowledgements: The foregoing summarises three newly published Country Reports kindly sent me, with permission to reproduce on your behalf, by Barclays Bank Intelligence Unit (54 Lombard St., London EC3P: 3 AH), but the Unit is responsible neither for the wording of my summaries nor for my interspersed comments.

International monetary developments

Edwin H. Yeo

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FUNDAMENTAL CHANGES in international monetary arrangements have taken place in recent years, and it is important that these changes be fully understood. The world has now gotten away from the crises which marked the later years of the Bretton Woods monetary system.

The consensus achieved at the Rambouillet summit in November of last year paved the way for comprehensive agreement on a reformed international monetary system. That agreement was solidified in Jamaica by the interim committee of the Internationnl Monetary Fund. The agreement involves general revision of international monetary arrangements established at the 1944 Bretton Woods conference, while preserving the basic aims of promoting international monetary cooperation and facilitating the exchange of goods, services and capital. Important operational aspects of the system have been changed to promote a smoothly functioning monetary structure, without the shocks and disequilibria which arose with increasing frequency in the 1960's and early 1970's and ultimately led to the collapse of the Bretton Woods system.

the main element

The main element of the Jamaica agreement concerned the exchange rate regime. Under the original IMF articles' each nation undertook to maintain a "par value" for its currency, expressed in terms of gold, and agreed to convert foreign official holdings of its currency into gold at the request of the holder.

As the system developed in practice, most countries maintained par values of their currencies by governmental intervention in the exchange market to maintain exchange rates for their currencies vis-a-vis the US dollar, and the US met its par value obligatious by undertaking freely to buy and sell gold at the "official price" of gold, the dollar's par value. The United States was, in effect, at the centre of the system, with an obligation to convert other countries, holdings of dollars into gold at a specified price, originally US 35 dollars per fine ounce. Thus international monetary relations were conducted within the constraints of a par value system with gold convertibility.

The system of par values did not bring the adjustments required in the light of major changes in the structure of the world economy. The post-war recovery and rapid growth of Europe and Japan brought dramatic changes in competitive relationships among the large industrial countries.

But exchange rates did not change to reflect underlying competitive realities. and large and persistent payments imbalances accumulated. Moreover, the system did not envisage the rapid growth in international capital transactions that occurred, transactions that eventually took on a large speculative element as it became more and more evident that exchange rates must ultimately change as a result of fundamental changes in international competitive relationships.

For the United States, in particular, there were major consequences. The fact that most other countries maintained the value of their currencies through market intervention in dollars meant that the dollar exchange rate was, in effect, determined by the exchange rate decisions of others. Exchange rate action was not in practice available to the US to correct imbalances in its external accounts, because any change the US might initiate could be nullified by the actions of other countries if they considered a different rate of exchange more appropriate or more advantageous to their domestic or international economic situation.

As the world economy developed in the 1960's, the US dollar became increasingly overvalued. The result was that the US had to borrow short-term funds to cover the overall deficit in its balance of payments.

The system ultimately collapsed under the weight of accumulated pay
imbalances and its own rigidities.
cussions of a reformed system were
shortly after the US actions of A
1971. The agreements reached b
interim committee at Jamaica
January, 1976 represent the culmi
of nearly five years of negotiatio
such reforms.

In sharp contrast to the par
exchange rate provisions of the
articles—which sought stability by re
ing adherence to fixed exchange ra
the agreed amendments to the exc
provisions of the IMF articles of a
ment focus on achieving the under
economic stability, that is the pre-req
to stability.

avoiding manipulation

In other words, the new provi
recognize that the relationships bet
currencies must reflect the evolutio
domestic economies; and that
economic stability sought by the au
of the Bretton Woods par value p
sions cannot be achieved through a
to fix or manage exchange rates in co
with underlying conditions. If
country maintains sustainable non-i
tionary rates of economic growth,
exchange relations will also be relat
stable. The focus must be on achi
sound non-inflationary growth.
proposed new exchange rate provi
will provide wide latitude for indiv
countries to adopt specific exch
arrangemnts of their own choosin
long as they fulfil their general o
tions to maintain internationally a
priate economic policies. A c
element of this system is that cou
must avoid manipulation of
exchange rate.

Some observers have begun to
tion whether these proposed
monetary arrangements represen
improvement over the Bretton W
system.

They point to the disturbanc
some European exchange mark
evidence that the new system
working. Where, they ask, is the sp
Rambouillet and Jamaica?

In response to this line of questi

ust first be said that it is very early e making any judgments about the system. It is not merely that the new m was agreed only a few months or that it has not yet even been ed by parliaments. It is rather that rnments are only beginning to apply Countries often still adhere, to a ter or lesser degree, to the practices e past.

he process of intensified consulon and cooperation among coun-, which is one hallmark of the system, are being developed. I am fident that the reformed system will k, but I would not be so bold as to that what we have done thus far ves that it is working.

instant stability

Even more basically, however, it must understood that the Rambouillet and naica agreements did not promise stant stability." Instead, they regnized that stability in underlying nomic conditions is a pre-requisite exchange rate stability. While we e made progress toward achieving t underlying stability, we are far from ing achieved a totally satisfactory ition. High and widely disparate es of inflation among countries still nain.

Differences in the rate at which ntries are emerging from the pest recession in forty years, characized by the most violent inventory ustment in an even longer period, will ve a continued impact on trade tterns. We have not yet completed process of reversing the pattern of avy reliance on short-term financing th domestically and internationally t has characterised recent years.

The fact is that no monetary system can ld out the promise of stability in these cumstances. But the new system, by cusing attention on achieving underng stability, instead of on an effort to ld exchange rates fixed, does start us wn the right track, toward stability.

When we get to the end of the track, en we achieve a satisfactory degree of derlying stability, then and only then, ll we have the reasonable exchange rate ability we all desire.

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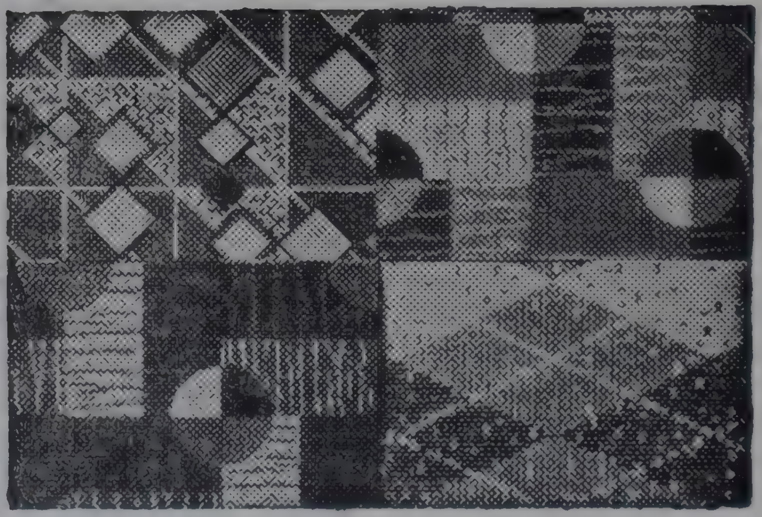

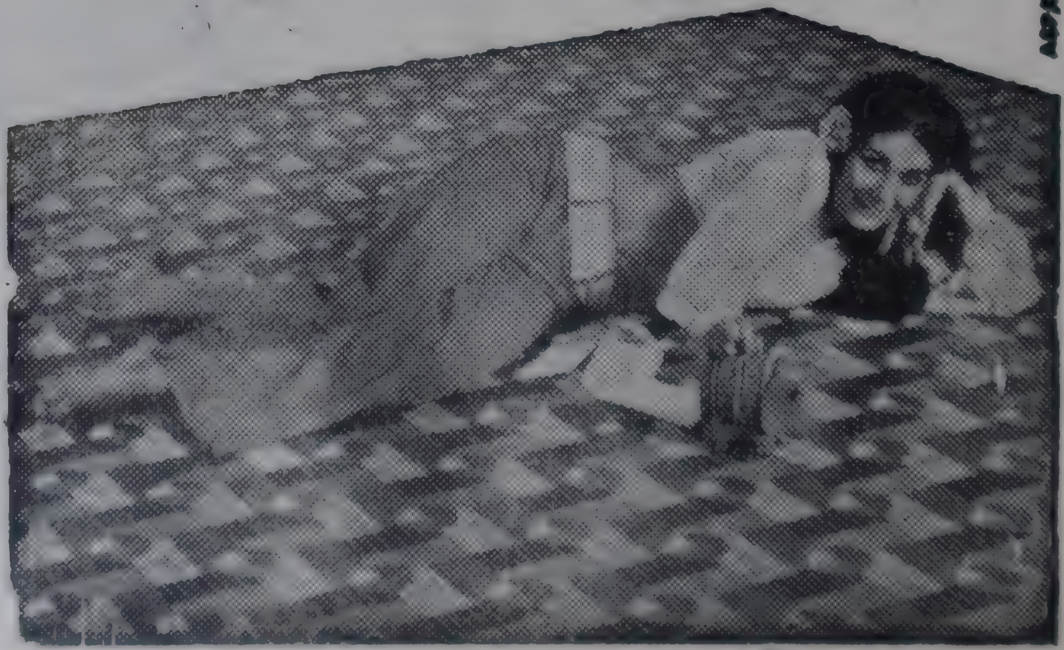

BOOKS BRIEFLY

Reviewed by
Academicus

Growth factors in farming

Strategy for Agricultural Development: A. V. Daniel; Vora & Co. Publishers Pvt. Ltd, Bombay; Pp 171; Price Rs 25.

Studies in Retailing, Consumers' Cooperation & Public Distribution System: K. K. Taimni; Harshad Prakashan, Pune; Pp. 201; Price Rs. 25.

From Subsistence to Affluence: T.K. Moulik; Popular Prakashan, Bombay; Pp. 180; Price Rs 48.

Administration of Policy and Programmes for Backward Classes in India: S. N. Dubey and Ratna Murdia; Somaiya Publications Pvt. Ltd; Pp. 279; Price Rs. 45.

Politics and Planning: M. V. Namjoshi & S. V. Khare; Harshad Prakashan, Poona; Pp. 96; Price Rs. 28.

Management of Cotton Spinning Industry: Management Development Institute, New Delhi; Pp. 238; Price Rs 15.

THOUGH MUCH attention has been given by economists to the problems of agricultural development, A. V. Daniel in his *Strategy for Agricultural Development* is of the opinion that "a comprehensive theory of agricultural development, identifying various growth-stimulating factors of the sector, and synchronising them with the overall process of economic development is yet to be evolved." This book deals with "one aspect of this research, i. e. evolving a development stratagy for the agricultural sector, which would maximise the contribution of the sector towards economic growth as well as suit the conditions obtained in the late-developing countries."

The author has selected Bihar as the background of the theme of the research work. This is because agriculture in Bihar has remained practically stagnant even after the implementation of several Plan programmes and also because the Plan programmes implemented by the government of Bihar so far "have not indicated a strategy for agricultural development of Bihar." Also frequent occurrence of famines in the state has made agricultural development in the state an urgent humanitarian problem. This has made necessary the evolution of a purposive strategy to give impetus to the agricultural sector for making a breakthrough.

summarised view

In the first chapter the author has summarised the views of various agricultural economists regarding the contribution which agriculture can make to the general economic development of the country. The author has highlighted Simon Kuzenet's classification of the contribution of agriculture to economic development—product contribution, market contribution and factor contribution. Under product contribution, agriculture contributes food to meet the growing needs of non-farm population, supplies raw materials for industries, secures higher incomes for farm families, increases export earnings, provides better nutrition standard which increases the productivity of labour, and provides better status for the farmers. Under the classification of market contribution, agriculture expands rural market for various consumer goods, and increases demand potential for farm inputs of industrial origin such as fertilisers and agricultural machinery. Under factor contribution, agriculture releases labour force for non-farm operations, supplies savings for investment in non-farm sector and contributes new entrepreneurs to exploit economic opportunities in the countryside. Against this theoretical background, the author has taken up the problem of agricultural development in Bihar.

key to development

Having given in outline the salient features of the agricultural economy of Bihar, the author has opined that "Key to the agricultural development in Bihar is that of raising the level of productivity of crops. The fact that there is a wide gap between the yield obtained in Bihar and the other parts of the world, undoubtedly speaks for the inefficiency of the agricultural sector of Bihar but at the same time assures of the wide scope for the development of the economy of Bihar through agricultural development carried on proper lines."

While analysing the strategy for agricultural development, the author opines that increasing emphasis on traditional agricultural inputs (manpower, bullock
labour, local manurial resources,
though desirable, by itself will not pr
a solution to the problem of agricul
development in Bihar. This is be
it will be a costly process and seco
it will be time-consuming. And t
fore resort must be had to the incre
use of modern agricultural inputs
as fertilisers, hybrid seeds, new
cultural machinery and water
irrigational projects. While popular
the use of modern agricultural in
the policy-makers must keep in
certain important characteristics of
inputs.

transport requirements

It should be noted that mo
agricultural inputs have to be purch
from open market or have to be obta
from institutional agencies.
necessitates the existence of tran
facilities even in the remotest vill
It should be noted that new inputs
the products of research and em
technological changes. Further,
tend to represent variable cost r
than fixed costs. This necess
provision of timely and adequate c
facilities. It should also be noted
various modern agricultural input
complementary to one another.
means whole package of modern
cultural inputs will have to be
available and that a piecemeal app
will just not do. According to the au
there is great scope for increasing
of modern agricultural input in Biha

The author has emphasised
development of physical infrastru
facilities (irrigational projects,
control, transport and storage facilit
the process of agricultural develop
in the state. There is at present
inadequancy of the above ph
infrastructure facilities in the state
the government must take note o
fact and take steps to make ava
these facilities in an increasing way

The author has also drawn att
to the necessity of providing s
infrastructure facilities (credit fa
marketing facilities, extension
research) as these are thoroughly
quate in Bihar at present. There is
need to vitalise credit institutions

as also to introduce new credit es. Also the development of ting agencies must be given a cant place in the future programme ricultural development in the state. is also urgent necessity to intensify sion services and infuse right spirit nem. Faster growth of the agri-ral sector is possible only if ser-infrastructure facilities are streng-d.

nere is also urgent necessity of iisational infrastructure (inter-ary abolition, tenancy reform, g on landholdings and cooperative ing). The author has opined that e is need for evolving indigenous nizational structure blending indivi-sm and cooperative principle."

long the above lines the agricultural egy will have to be evolved and ited in the state of Binar. The or has also cautioned that "several strategies will have to be worked-for each district of Bihar, taking account regional differences, urce potentialities, availability of istructure facilities and the level of lopment."

he author has first worked out the ceptual framework of strategy of cultural development and has then lysed the strategy in relation to the of Bihar—a far less developed state less developed country.

t must be stated that while the author sense has added absolutely nothing to our knowledge, nonetheless he has e a successful attempt to weave to-er all the strands and present a com-ensive strategy for the agricultural elopment in the state of Bihar. Bihar been and continues to be one of the t backward states in the Indian union even during the last twenty or more rs of planning, the state seems to be dri-g aimlessly. While the strategy which author has worked out is allright, it st be noted that it is the political will t is lacking in Bihar. Will the people Bihar gird their loins and rise up to occasion to solve the problems of ir poverty with the help of knowladge technology which is already there? yet there appears no sign of any hope the horizon for the people of Bihar.

RETAILING

One of the important features that inguishes developed economies from under.developed ones is the mass duction and mass distribution of ds. It would be worth pondering if production of goods would have n possible if there were not equally ient channels of distribution of these ds. When the societies strive ceaselessly to improve the standard of living and the managerial elite is under pressure to seek new avenues to satisfy the consumer, the process of distribution of goods and services evidently assumes singular importance. Prof MacNair has rightly proclaimed the new role of retailer as "the marchant of hopes and desires and deliverer of s andard of living as compared to his hitherto role of seller of wares and commodities." Such is the place of retailer in society. K.K. Taimni in his *Studies in Retailing, Consumers' Cooperation and Public Distribution System* has therefore decided to study the problems of retailing and retailer in developed as also in developing countries.

We notice that historically, retailing has been 'a low status field of endea vours'. In India under the burden of caste system this function was marked for those who were generally looked down upon by the social elite and thus it continued to be neglected for long. In India this situation got further worsened, according to the author, with the strong bias that the economy exhibited in favour of production in a protected market which in turn resulted in a seller's market for almost all consumer goods. The industry in general therefore displayed generally a lack of interest in the field of packaging and marketing and kept itself smugly concerned with the field of production.

fresh look

However, the recent recession, under-utilised capacity, emergence of vast rural market and a certain amount of competition have of late been forcing some of the managements to give a fresh look to this field of retail-trading. One now finds considerable amount of innovative skill going into the field of retailing business.

But the author is of the opinion that the changing social environment will call for some drastic changes in the role of retailer who will increasingly come under pressure due to the revolution of rising expectations of masses under the impact of rising incomes, better communication and mass literacy. The retailer certainly faces a formidable task in that he has not only to bring structural and institutional changes but has also to change his attitude towards the customer so that he may meet the growing challenge in full measure. The retailer will be under increasing social pressure to effect these changes immediately. He will have to sit and take stock of the situation. His failure to ameliorate his own position despite the supply of liberal credit from the nationalised banks in India because of the completely indifferent attitude of the wholesale trade which refused to give any concessions to the retailer in spite of his willingness to pay ready money should serve him a timely reminder and should at the same time pro him up to seek new fields to innovate and to meet the emerging challenges with vigour. The author has made in this book a number of suggestions to help the retailers and consumer cooperatives break a new path and overcome the difficulties that lie ahead.

main emphasis

In his essays on 'Consumer Identification' and 'Consumer Preferences' the author's emphasis is on 'low cost and high turnover merchandising'. The focus is on the all important consumer and the strategy to cater for his demand efficiently. The author has dealt with the problem of productivity of retail trading, factors which influence the productivity and the steps that can improve productivity. These two essays build up a perspective and pinpoint the attention on areas of general neglect so far.

This is followed by a study of layout, placement and display of goods in retail trading. The author has made retailer a centre of attraction and has analysed his expectations, his motivation and his responses to changing environment. The author has also analyed topics such as inventory control and management, budgetary control and financing of retail trading.

While studying public distribution system and consumer cooperatives, the author aims at bringing out the salient features of the working of these socially oriented retail shops and the imperatives of giving them institutional, structural and administrative support in the absence of which they can play only a limited role.

In western Europe, emergence of consumer society has compelled economists and social scientists to give a fresh look to the institution of retail trading. Thus super-markets, shopping centres, departmental stores, voluntary retail chains and discount stores have all had their origin in the USA where consumer reigns supreme. For long in India consumer remained in the background and therefore retail trading hardly received any attention. It continued in its old traditional ways. But now the rising living standards have made the consumer intelligent, smarter and more exacting in demand. He wants clean environment and neat service, minimum time for payment once he has decided to make a purchase, good packaging and host of other services. In some of the big cities, the tailers are approparitely responding to hese new challenging. But in most ther places in India retail trading still ontinues in its ancient style. This will ave to change.

This book will be found useful to the narketing executives in the consumer cooperatives as also to officials working in public distribution system and to retail traders. The author has really succeeded in arousing interest in retail trading in India and the urgent need for bringing improvement in this field.

PROCESS OF DEVELOPMENT

There was a time, not long ago, when the state of development in a particular area was explained in terms of highly generalised stereotypes that encompassed the whole people in a country. This was followed by a period when people for whom the development is meant were largely forgotten and the focus shifted mainly to economic and technical forces that influenced the course of events. Most recently there has come a realisation that the world is full of complexities and that model-building has its limitations. There has therefore emerged "a willingness to do less abstraction from the 'real world' and to attempt to measure the many varied factors which seem to explain development process and performance." T.K. Moulik in his *From Subsistence to Affluence* has made an attempt to explain the process of development by analysing the attitudes and responses of the people involved in the process of development.

As economic development is for the people and is carried out by them, their attitudes and respones, their relationships to each other and to the changing world around assume crucial importance as a significant explanatory variable in any analysis of development process. Modern social sciences have provided many new tools with which to measure such variables which not long ago were thought of as immeasurable.

Moulik has brought to this task a unique set of skills by applying a wide range of sophisticated sociometric measurements to a broad set of social and personality variables in his analysis of the social fabric in some of the north Indian villages which he has selected for his study. One some times begins to wonder whether such sophisticated modern tools and techniques are applicable to the simple setting of an Indian village; but these doubts are soon dispelled by the skill with which the author has adapted these tools to local conditions. Also the author has supplemented this formal analysis by rich anecdotal material collected from anthropological traditions of the people.

This approach of the author leads the reader to the analysis of topics such as leadership pattern in the village, communication patterns and to the characteristics and performance of individuals. The author has rightly emphasised leadership "as the key to the effective leverage by change agents attempting to bring modern technology and life to stagnant village."

Part of the analysis of leadership patterns is unique in its novelty of approach and depth of insight into the factors which influence leadership development and performance in this setting. The author's analysis of communication patterns and channels dispels many strongly held but positively erroneous views about the efficacy of selected mass media. The author has emphasised the importance of the development and optimal use of leaders within the village structure and face-to-face contacts. His analysis of the differences in innovation-proneness which is an important theme of the analysis of individuals acting in particular cultural setting is equally absorbing.

inadequacy of approach

As a result of this analysis the author has rightly emphasised the inadequacy of the 'single factor approach' to explaining development process and performance. The analysis, if it is to be satisfactory and lead to fruitful policy-formation, must "recreate the environment in which modernising decisions by individuals are made."

The location of these villages in Kanjhawala community development block on the boundary between traditional rural areas and the bustling New Delhi is seen to provide the necessary dynamism of rapid social change. What this study offers is a deeper look into these changes. What is significant is not the visual signs of prosperity but the changes that have occurred and are still occuring in the values and attitudes of the people and in the whole social structure of the villages. This book with a large array of well-adapted sociometric measurements for analysing the process of development offers practical guidelines for the improvement of village communities leading them from subsistence to affluence. The author by emphasising socio-psychological basis of economic progress of backward people has added a new and important dimension which is of crucial significance in the case of tradition-bound people who are led on to the path of economic pro

POLICY ON BACKWARD

As is well-known, backward in India constitute about one-fo India's population. Among bac classes, scheduled castes and sch tribes are most predominant nume The central and state government been paying attention to their since independence. The autho *Administration of Policy and Progr for Backward Classes in India*, ho feel that "comprehensive sci studies, conducted by outside obs equipped with scientific knowled developmental programmes and in in administrative process, are sc The authors therefore have mad attempt in this book to systema analyse the policies and programm scheduled castes, scheduled tribes, vengers and sweepers, nomadic a criminal tribes. They have also ma attempt to examine the soundness organisational machinery at the c and state levels rseponsible for the mentation of welfare programme the backward classes. On the ba this analysis, they have also offered useful and practical suggestion improve the contents and directi the policies and the approach to i ment them.

weaker sections

The authors maintain that the c tion of the weaker sections of socie spite of two and half decades of de ment planning, has not improved; rat has deteriorated. This means that of development have generally gone richer sections of society. Accordi the authors, this has happened be the strategy of agricultural develo has neglected the weak; the administ machinery has generally been indif and ill-equipped for the task; the p and programmes of cooperative i tions and panchayati raj institution dominated by the well-to-do far most programmes meant for the po not seek fundamental changes i economic and social structure o community but aimed at only ma improvement; and the political s though vocally standing for the generally displayed a lack of w undertake radical measures necessa the improvement in the lot of the Political parties mostly concentra 'slogan invention'.

The authors have drawn v policy implications from their an They are of the opinion that "the a powerlessness is associated with vantaged life conditions." This ies that efforts have to be directed rds improving the living conditions e disadvantaged backward classes and ately removing the feeling of power- ess. According to them, the current are programmes are irrelevant and at very least inadequate. The provision ecent housing, decent well-paid jobs adequate income are some of the ssary steps in arresting the develop- t of the attitude of powerlessness. It t also be realised that while the grammes have not substantially nged the life chances of backward ses, they have; however, created a new e of urgency among them with regard their legitimate rights as members of emocratic socialist republic. Accord- to the authors, it is therefore neces- for the well-to-do in society to shed pretence and get to the concrete iness of promoting the development ocial and economic institutions for kward classes.

special incentives

his will mean an economic policy ich provides special economic entives to backward classes to n business and to expand the ting ones. It is by bringing large- le mobility among various classes that ste will go and untouchability will ppear". The authors have maintained t in a poor country like India, one to concentrate on the poorest among poor to make their living more rable. Consequently, the present cy of defining backward classes on basis of caste and tribal origin is less appropriate in view of the fact that t of the advantages of the welfare grammes are grabbed by the well-off ng the backward classes. According hem, it is only the economic condi- , instead of membership of a caste of tribe that should farm the basis providing special benefits and tection. The authors have also rightly nted out that what is most important 'a strong will and commitment to lement the provisions of social slations enacted during that last two ades".

While the analysis of the authors is sophisticated and, with all the ion of which the specialists are ble, the conclusions arrived and the cy prescriptions are very com- place. It must be understood that problem of the scheduled castes and eduled tribes is as old as Indian ory and while it is necessary to take ediate steps to improve the lot of the poor, any attempt to hustle through is more likely to be counterproductive. It involves a basic transformation in the value system, attitudes and soci-oeconomic structure of the people majority of whom are illiterate, caste-dominated and traditionalists in attitude and behaviour. Finding solution to the problems of the scheduled castes and scheduled tribes is part of the general problem of modernising an ancient and economically backward community which has to carry on its back the vast burden of history. Short-cuts to such problems are more likely to complicate the issues rather than solve them.

POLITICS IN PLANNING

Two scholars of long-standing have written *Politics And Planning* and this fact must be kept in view while critically reading this book.

The authors maintain that there exists a "close relationship between the fundamental rights of the citizens as defined in the Indian Constitution and the plans of economic development". They are of the opinion that economic planning in India has totally neglected this relationship, and that mere lip service is being paid "to orienting planning towards making a reality of fundamental rights". There is hardly any attempt at moving towards the goal of right to employment at a minimum remuneration. But in the very next breath, the authors themselves emphasise that plans must rest on the rule of law and democratic electoral methods. These foundations on which planning must rest determine the characteristics of planning and determine the type of planning which is open to India. The authors also maintain that Indian planning should also rest on certain basic cultural characteristics such as a strong sense of community, desire for national integration and genuine belief in humanistic values and in world order.

The authors feel that something has gone wrong with our experiment of building effective planning institutions and a mixed economic system which alone is appropriate for a community like that in India. We appear to be drifting, expending our energy on irrelevant things and moving from crisis to crises. We have failed to evolve a system of multi-level planning and a mixed economy oriented to the basic tasks of economic and social transformation.

According to the authors, the book attempts to identify some of the main changes in the planning process that seem necessary and are feasible. They think that at the central level, the Planning Commission must become an explicit part of the constitutional machinery and also provide an element of continuity that is essential, if planning is to be effective. The most important suggestion of the authors is that "it is very important to organise planning much more effectively at the district level and give it a constitutional status." The authors envisage a direct link between the national Planning Commission and the proposed district planning boards; the state level planning in India should only concern itself with projects spread over two or more districts. If planning is to solve the problem of unemployment, it appears necessary that adequate resources, expertise and autonomy for planning must be assured at the district level. Planning at the district level is to be the task, not of Zilla Parishad but of economists, technocrats, popular representatives and bureauracts. Formulation of plan at the district level would result in better utilisation of local resources and more satisfactory solution of the problem of unemployment.

Greater autonomy to districts for the formulation and implementation of economic planning would involve reallocation of fiscal resources. The authors have emphasised that what they offer "is a perspective rather than a complete analysis".

Taking a most charitable view, it may be said that the two authors have some worthwhile things to say. But their writing gives the impression that their views are extremely nebulous and have hardly crystallised. The different ideas which they propose to propagate are often not logically connected and the manner and style of writing is such that the common reader is both baffled and confused. If ever the book sees the second print, the authors should redraft most of its chapters.

Half the book is made up of statistical tables most of which are arranged in a slipshod way. This is the first time this reviewer has come across a book half the pages of which do not carry even page numbers. It is difficult to imagine a more casual approach to the writing of the book by two authors carrying doctorate degrees who write in a style which is simply exasperating.

COTTON SPINNING

As is well-known, cotton textile is the largest single industry in the country. The Indian cotton textile Industry is the third largest in the world in terms of installed capacity for production of yarn and cloth.

Management of Cotton Spinning Industry re-
ers to the mechanised and organised wing
f the cotton textile industry, which is
eparated on the one hand from the hand
pinning wheels and on the other, from
he spinning sector of the composit indus-
ry. The spinning industry in India
onsists of about 670 spinning unites
enerally of 10,000 to 50,000 spindles
ach, which has come to acquire an iden-
tity of its own.

The Management Development Institute which is doing splendid job in various directions under the able chairmanship of B.K. Madan, did well to organise a training programme with a view to concentrating specifically on the mangement problems of the spinning industry. The institute had good reason to select this industry for the specific programme because of the sizable long-term credit given to the industry by financial institutions generally and by the Industrial Finance Corporation of India in particular and also having regard to the importance of coopeartives in this industry. The training programme was held some time in 1975 and this volume contains a brief summary of the proceedings of the sessions as also the addresses and papers presented at the seminars. Since cotton textiles is India's major. industry of which the spinning industry is an integral part, the general student of the Indian economy should be interested to know some of the problems which the cotton spinning industry in India is facing at present. Quite naturally various aspects of the spinning industry such as management of cooperatives, organisational structure, purchase of cotton, product-mix, labour productivity, inter-firm comparisons, financial management, technological development, management by objectives and government policies come in for discussion. It would be instructive to know the nature of some of these problems, and how the industry is tackling them.

special features

K. Sriniwasan has indicated the special features of the spinning industry which in his view constituted real challenges. He has maintained that the cotton spinning industry has to be viewed in the socio-economic background. The growth of handlooms, powerlooms and hosiery constituted both opportunity and challenges for the industry. He also pointed out that "the raw material for the industry (cotton, polyester) had generally been in short supply in the country both quantitatively and qualitatively." Then there was the problem of labour and machine productivity, productivity often being confused with technology leading to demand for modernisation as a panacca for all the ills of the industry. Sriniwasan has observed that the existing machine productivity in the industry is inordinately low, and therefore, considerable benefits could flow from better machine utilisation and higher labour productivity. Then there is also the need for a corporate plan for raising the profitability of the cotton spinning industry through a proper blending of various factors of production. Lastly he wants that productive efficiency and financial performance though inseparably mixed, should be critically analysed for proper understanding of the intricacies of the industry.

B. Raja Ram has emphasised that often the best results are achieved through strong determination of the top management which alone is capable of building a strong team for specific tasks. According to him, efficiency is achieved through a proper blending of skill and technology which demands a sound framework of management policies and practices. He maintains that management has to have "a deep concern both for performance and people."

cooperative mills

V.G. Puranik has referred to the special features of cooperative cotton spinning mills which are at present contributing a great deal to the growth of the economy. The cooperative mills functioned both as cooperatives and as a commercial ventures and this imposes great responsibility on managers. He referred to the imbalance between the growth of textile and cooperative spinning industry especially in the decentralised sector. For example, in 1973, powerlooms produced nearly 46.4 per cent of the country's total production of cloth whereas the spindlage of the cooperative factories represented only about 5 per cent of the total installed capacity. The geographical dispersal of the 72 cooperative spinning mills most of which were situated in Maharashtra, Gujarat and Tamil Nadu, also reflects great geographical imbalance. Economic considerations require that spinning mills are established either in areas where loomage exists or where cotton is grown.

According to K.M. Thiagarajan "an unsound structure was indeed a guarantee for non-performance, because it produced friction and frustration, put spotlight on wrong issues and made mountains out of trivia."

S.B.P. Rao and P. Unni Krishanan maintain that cotton represented one of the major variables in determining the opera-
tional results of any textile mill,
cularly because it affected profit
quality and economics of prod
India is deficient in cotton prod
and the annual shortfall in rela
demand is roughly of the order of
bales (1973-74). The speculative o
of cotton merchants complicate
situation still further.

assessment of waste

M. Krishnaswamy has suggeste
waste control has a significant con
tion in controlling cost through
assessment of the extent of wa
different stages of production. H
emphasised the need for detern
reliable standards for wastes
occur at different stages of prod
and analysis of machinery perfor
at periodical intervals. If these
analysed, remedial measures ca
evolved for controlling waste.

L.N. Jhunjhunwala has discusse
concept of inter-firm comparison
has suggested that principal are
purposeful comparison can be r
on equity, profit per spindle shift
cost per spindle shift. He has
phasised the urgent need for a
ing inter-firm comparison for c
spinning industry in respect of
factories because it would help
management to analyse its perform
against other units and thus avoid
placency. Such a comparison would
help in fixation of national norms
would be useful to financial institu
rendering financial assistance to spi
mills.

Mrs Indira Doraiswamy has ref
to "a high correlation between wage
profits." She has emphasised that in
ment on modernisation should b
phases to ensure maximum return.
Sankaranarayanan has explained the
cept of modernisation and has empha
that the objectives of modernisatio
clearly identified in respect of redu
of cost, improvement in quality, div
fication of existing production
improving of organisation.

J.B. Dutt has dealt with the
features of the government polic
respect of textile industry of which c
spinning is an important part. Acco
to him, the government policy soug
establish "a balance between the co
ing demand of the grower, manufac
and user of yarn." In this context h
specifically referred to the impor
which government has been givin
the handloom weaving industry wh
one of the main sources of occupati
the country side spread over thou

villages. He has emphasised that a ile policy has necessarily to consider conflicting interests of growers, spin- , weavers and the million of users in country and try to bring about a reciliation among all the conflicting nands.

It is an excellent booklet outlining st of the important problems of cotton spinning industry in the country in their proper perspective. This would be very helpful in formulating the policies both by the persons in the industry and by the government for successfully dealing with the problems. The booklet would be useful to the students of textile industry in particular and of the Indian economy in general.

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TRADE WINDS

ADB Assistance

In 1975, increased attention was given by the Asian Development Bank in its lending and technical assistance activities to the social aspects of development to benefit both the urban and rural poor. According to the Bank's annual report for 1975, released recently, the Bank's total lending during 1975 totalled $660.31 million, an increase of 20.6 per cent over 1974. Loans from ordinary capital resources amounted to $494.05 million, and those from special funds to $166.26 million. In all, 41 loans were approved for 40 projects in 12 developing member countries (DMCs).

Members' Needs

In addressing itself to its members' needs and problems, many of which are of a long-term nature, the Bank's efforts were directed to: (1) raising urgently needed additional resources to sustain its operations, (2) maintaining the momentum of its lending and technical assistance activities, and (3) bringing its assistance to bear where the needs appeared to be greatest. Much of the lending in 1975 was directed to sectors where the need for accelerated development was most urgent—37 per cent to agriculture and agriculture-related activities and 29 per cent to public utilities, mainly for exploitation of indigenous power resources. In the field of technical assistance, emphasis was placed on institution-building and the training of local staff. By the end of the year, the Bank had approved 251 loans totalling $2,583.57 million for 228 projects in 21 DMCs. Of these, 150 loans totalling $1,924.74 million were made from ordinary capital resources and 101 loans for $658.83 million from special funds.

No Export Duty on Jute Goods

Export duty on the three remaining jute goods-canvas, tarpaulin and webbing—has been abolished with immediate effect. Since export duties on carpet-backing, hessian and sacking have already been abolished in the last nine months, there is no export duty on any jute goods now. The abolition of export duty on all jute goods was announced by the Finance ministry. The export duty on these three items ranged from Rs 150 to Rs 200 per tonne. Normally, canvas tarpaulin and webbing are considered as sacking. But since in the tariff nomenclature these are classified as different from sacking, a separate decision to abolish export duties on these had become necessary. The export duty on sacking and jute twines was withdrawn before the budget was presented.

Rupee Upvalued

A 2.37 per cent upvaluation of the rupee in terms of pound sterling on April 23, led to a fresh appreciation of the rupee in terms of sterling and thus reversed the depreciation of the rupees in terms of the US dollar and selected foreign currencies since April 3, when the rupee value was last corrected. This upvaluation has cheapened the pound by 40 paise as reflected by the new middle rate of Rs 16.50 per pound. It replaces the middle rate of Rs 16.90 introduced on April 3. The Reserve Bank will buy spot sterling at 6.0790 per Rs 100 or at Rs 16.45 per pound. This replaces the rate of Rs 16.85 per pound. It will sell spot sterling at 6.0423 per Rs 100 or at Rs 16.55 per pound. This replaces the rate of Rs 16.95 per pound.

Based on these rates the merchant rates for sterling which banks will now quote will be as follows: the TT selling rate per pound will be Rs 16.5769 and BC selling rate per pound Rs 16.6044. The TT buying rate per pound will be Rs 16.4366 and OD buying rate per pound Rs 16.3452. The impact of upvaluation of the rupee on the US dollar can be seen from the following rates. The April 3 upvaluation gave a rate of Rs 9.09 per US dollar. Following a slide in the value of sterling from $ 1.87 to $ 1.83, the rupee cost of the dollar shot up to Rs 9.28 on April 22. The present upvaluation brings the rate per US dollar to Rs 9.06. A correction of a similar order has been effected by the latest upvaluation with respect to currencies like DM, Swiss franc, Belgian franc, Japanese yen, Hong Kong dollar and Singapore dollar.

Export Assistance for Mill-made Cottons

In a bid to push up sales of mill-made cotton piecegoods to Canada and west Europe, including Britain, a higher rate of export assistance will be granted, under the incentive scheme for textile exports drawn up for the current financial year. Although it has been decided that grey goods will be eligible for 10 per cent assistance during the year for exports to Canada, West Europe, including the UK, as well as to Australia and New Zealand and the rate of assistance will be 12 per cent. For exports to the United States, which is a major market for textiles, a two-tier scheme of assistance will be operated. During the period April-September, the rate of assistance for both grey and non-grey varieties will be 10 per cent, but for the subsequent period of six months ending March next year, the rate of assistance for grey good be 12 per cent and tha non-grey goods to Canac West Europe will also per cent.

In the matter of assi to cotton yarn exports 60 counts and sewing irrespective of count uniform rate of assistanc be in force. Similarly, f markets the rate of assis will be 15 per cent in re of cotton embroidered goods. The rate of assis for non-grey goods mar to the rest of the worl been lowered by three per Against the overall c limit of 15 per cent, assistance will be only 12 cent. For grey varieties assistance will be 10 per In the case of mill- made-ups, the quantum assistance for free fo exchange markets will b per cent and 12 per cen rupee payment areas. assistance is exclusive of of distance premium pensatory support given exporters. This is worked out. The assist will run for a full year, in of being revised quarterl

The scheme for providin sistance for one year at a tch has been evolved to en that there is no uncert whatsoever in the minds exporters about the qua of compensation they wil in lieu of non-refun duties and taxes paid by The Commerce ministry told the textile industry with the new facility exte to them, they should la an aggressive sales drive realise an export targ Rs 400 crores during the rent financial year.

Indo-Nepal Joint Ventures

India has agreed t in for joint ventures the Nepalese govern in cement and paper i tries. This is one of concrete results of the seven-day visit by Dr Giri, prime minister of to India. According Rashtriya Samachar Sam s' official news agency, Nepalese side laid asis on an integrated oach to bilateral co-tion in industry and . At the New Delhi , Nepal was reported to sought Indian collabora-for changing the existing rn of the Nepalese with India which, Nepal ves, has always resulted nfavourable balance of nent for Nepal. Therefore, al was understood to have d the need for reducing the lances in trade, commerce, development through r Nepalese cooperation ding joint ventures in the strial field. These joint ures are to be carefully ned so as to benefit both countries

pper Community

India, Malaysia and onesia have decided on a t study on the question of lving an agreed export e for pepper with a view ecuring higher unit value isation for the commodity. study will be undertaken he secretariat of the Asian per Community comprising e three countries. Though ned in 1972, the commu-had been virtually in a e of suspended animation ause of lack of an executive g. Happily, the secretariat come into being with the ointment of a director the community. The first ector will be Mr L.N. lani, director in the Com-rce ministry. It has also n agreed that Indonesia will the headquarters of the nmuuity. Pending the crea-n of necessary facilities, the ector of the community l start functioning from w Delhi.

CDC

The National Cooperative velopment Corporation pro-ses to extend its assistance the entire handloom sector s year. More funds will be de available to co-operative nning and sugar mills also. e eastern states, Jammu and shmir, Himachal Pradesh, jasthan and other co-operatively backward areas will also get enhanced allocations. Liberal terms like outright grant and lesser share contribution of members will be given to cooperatives in these areas. The managing director of the NCDC, Mr Gill pointed out that Rs 36 crores are proposed to be spent this year against Rs 24 crores in 1975-76 and Rs 16 crores in 1974-75.

For the first time consumer cooperatives in rural areas are proposed to be brought under its assistance scheme. Regarding assisting co-operatives to take up manufacture, M·Gill said, that only a few proposals had come so far. The corporation is presently processing a proposal for a hosiery unit in the cooperative sector from Ludhiana. The NCDC also proposes to pay special attention to weaker sections. Under this, co-operative fisheries are to be assisted to come up all along the coast.

Cement Output

Cement production in the country touched a new record of 18.18 million tonnes during 1975-76. The previous year's production was 14.45 million tonnes. The Union minister of state for Industry, Mr B.P. Maurya indicated that the country had set an export target of nearly one million tonnes this year. He said the fifth Plan programme envisaged raising the installed capacity of the country's cement plants to a total of 29 million tonnes a year. Mr Maurya said that cement control had been removed in almost all the states.

Industrial Output

Industrial production, freed from supply or foreign exchange constraints, is expected to record an 8 to 10 per cent growth in 1976-77 on top of an estimated 4.5 per cent increase in 1975-76. Industrial stagnation was broken by a 2.5 per cent growth rate in 1974-75 and production has shown a steady improvement with every successive quarter in 1975-76 so as to yield an overall growth rate of 4.5 to 5 per cent. According to official sources, the growth rate last year would have been still higher but for the poor performance in some sectors especially cotton textiles, which has a large weight in the industrial index, and slackening of demand for passenger cars, jeeps and other consumer durables like room air-conditioners, electric fans and radio receivers.

The factors likely to contribute to a supurt in industrial production in 1976-77 are the easy availability of raw materials, both indigenous and imported, the big step-up in public investment which will have spin-off effect, the streamlining of industrial licensing and other procedures, reliefs in the budget to industries hit by lack of demand, and the liberalisation of import policy. The industrial licensing policy of the government has undergone considerable modifications in recent months in order to ensure full utilisation of installed capacity, diversification of production, automatic growth in selected engineering industries, replacement and modernisation, and export promotion.

Import of Stainless Steel

The government has liberalised the import of stainless steel by engineering exporters against their replenishment licences. A major benefit to the exporters is that there will be neither quantity nor value limit on the import of stainless steel against replenishment licences. This is a radical departure from the past practice when both limitations operated. In other words, it was ensured that exporters did not import more in quantity if the price of stainless steel went down in international market. The continuance of such restrictions has no meaning now because last year the government took a decision to allow imported stainless steel to be used for the manufacture of utensils in the small-scale sector. Prior to that import of stainless steel for manufacture of utensils was not allowed and in order to curb any irregularities restrictions were put.

Another facility that has been extended to exporters is that REP licences will be on fixed percentage basis, ranging from 50 to 70 per cent. The Engineering Export Promotion Council has been pressing for this facility for quite some time in place of the old formula of determining the extent of replenishment on normal weight plus wastage basis. Under the formula, for a kilogram content of stainless steel in the export product, an exporter was allowed 1.33 kg of stainless steel as import replenishment. This was not a fixed one and was different for different products. The council pointed out that this formula was cumbersome and time-consuming and involved a lot of procedural details. A simpler alternate formula has therefore been worked out.

For the purpose of REP licences, the stainless steel has now been merged into four broad groups, as against 11 products earlier. Meanwhile the chairman of the council, Mr. R.C. Maheshwari, has welcomed the import policy as bold and imaginative and asked engineering exporters to take full advantage of the liberal policy.

BHPV

The financial year 1975-76 has ended on a satisfactory note for the Bharat Heavy Plate and Vessels Limited, (BHPV) Visakhapatnam, a government of India undertaking. This year many "firsts" were achieved by BHPV. These include manufacture of a 120-tonne shift converter and a 55-tonne second stage condenser (special type of heat exchanger). Both were fabricated for the world's largest coal-based fertiliser plant, a multi-layer vessel for the Indian Institute of Sciences, a 40-tonne cryogenic storage vessel for the National Organic Chemicals India Limited and a 72-metre ethylene fractionator column, weighing 135 tonnes r the Indian Petrochemical orporation Limited, all for rst time in the country.

On the production front, BHPV has scaled new heights y producing equipment alued at about Rs 21.7 crores luring 1975-76. The corresponding production figure for he financial year 1974-75 was Rs 12.96 crores. This represents a 70 per cent incsease in production. BHPV has also enabled the nation to take a significant step forward by installing for the first time a tube-finning machine for the manufacture of fin-tubes, which are so essentinl for heat transfer equipments. By manufacturing the tonnage as well as small oxygen plants and tonnage nitrogen-wash units for the first time in the country, in collaboration with L'Air Liquide of France,

BHPV has already supplied two tonnes per day capacity oxygen plants for Bokaro Steel Limited. One 700-tonnes per day air separation plant and a 620 tonnes per day nitrogen wash unit for the Fertiliser Corporation of India (Haldia unit), two 550 tonnes per day capacity oxygen plants for Bhilai Steel Plant, and one 2500 Nm³/hr pure nitrogen plant for M/s Indian Petrochemical Corporation Limited, Baroda, are under various stages of manufacture. BHPV have recently concluded an agreement with M/s National Fertilisers Limited, for the supply of an oxygen plant of 890 tonnes per day capacity and a nitrogen wash plant of 900 tonnes per day capacity.

Irano-Hind Shipping

The Irano-Hind Shipping Company Limited—a joint venture of the Shipping Corporation of India Limited and the Arya National Shipping Lines of Iran—made a profit of 27 per cent during the first financial year ending December 31, 1975. The company declared a gross profit of Rs 41.34 lakhs and a net profit of Rs 23.59 lakhs, which worked out to 27 per cent return on the share capital of Rs 86.76 lakhs. The company has declared a dividend of 6 per cent on the paid-up capital.

The company is a member of the East Coast-West Coast of India/Persian Gulf conferences to operate its liner service. This service covers all ports of Bangladesh and Sri Lanka. The company has got affreightment contracts for movement of cement and billet and steel from Japan. It proposes to intensify its operations to the far east ports shortly. Presently, the Irano-Hind Shipping Company is having 15 vessels, all on character, for its operations. The company has applied to the imperial government of Iran for loans for purchase of general cargo vessels.

As per contract, the company initiated various schemes to train Iranian personnel in the field of shipping. Arrangements are being made to train more Iranians in India both for ship and shore jobs. The company was registered in Tehran in March 1975 and started its commercial operations from July that year.

Progress in Shipping and Transport

There was no strike at any of the ten major ports, according to the annual report of the ministry released recently. Productivity at each port registered a remarkable rise. The ports finances were re-cast and charges for the first time related to the cost of services rendered which raised ports revenues to the tune of Rs 45.31 crores. For the carriage of coal and salt, coastal freight rates were increased from July 1975. The passenger fares on Konkan coastal service were brought to a level lower than the state Road transport fares. For the first time, the country formed its own Indian Classification Society for registering ships.

Schemes to modernise and expand ports were vigorously implemented. The current year would see the fruition of a number of major schemes like the Visakhapatnam Outer Harbour, the Haldia Port Project and the expansion of Mormugao port. During the year, India signed the UN Code of Conduct for liner conferences and is among 30 countries who have so far affixed their signatures. Steps were being taken to ratify the convention. The scheme for national permits for road transport to remove constraints on movement of goods vehicles was implemented. By February 28, 1976, West Bengal had issued 119 permits, Haryana—200 and Bihar—45. In all, 5300 permits will be issued for public carriers. A Highway Research Board was set up during the year to co-ordinate and promote highway research on national level. In spite of paucity of funds, nearly 200 road works were completed during the year. As many as 11 major bridges were completed and works on additional six sanctioned.

A total tonnage of 44,73,633 GRT was in operation as on December 31, 1975. This included the first very large crude carrier of 2,73,000 DWT. In addition, ships aggregating about one million GRT were under construction, or on order.

Export of Finished Leather

This country exported over Rs 43.15 crores worth of finished leather and leather products during 1974-75. In the first ten months of 1975-76 (April-January) it is estimated that these exports would be around Rs 35.6 crores. The share of finished leather which was Rs 30.3 crores in 1974-75 and Rs 16.4 crores in 1973-74 has improved to Rs 31.1 crores in the first ten months of the current year. Indian exports of all types of footwear, amounted to Rs 20·04 crores in 1974-75 as against Rs 13.3 crores in 1973-74. Of these, the export value of leather footwear and components aggregated to Rs 17.46 crores in 1974-75, as compared to Rs 11.3 crores in 1973-74. The rest was accounted for by rubber and canvas footwear. It is expected that by the end of 1975-76, footwear exports would show considerable improvement in the export
performance of the pr
years.

Recently four typ
collaboration agree
have been concluded, be
Indian and European firn
up-grading Indian semi-t
leather and high quality
shed leather. Under
agreement, the Eur
Economic Community
bers would have a
venture with India for e
or supply down stream
export of at least 75 per
of their output after a
priate build-up period. U
another agreement, the
firms would have 'Clinic
laboration arrangements
Indian firms under which
would provid adequate te
cal and managerial inpu
the Indian firms in exchan
exclusive marketing agree
in terms of which the pric
the finished products woul
linked through a pre-determ
formula to the East I
Tanned Leather Market In

The third variety of coll
ration relates to joint e
prise arrangements u
which EEC parties w
invest not less than 26 per
in the capital of the In
firm and would establis
market in the EEC for
maketing of the output o
joint venture. The fo
category of collabora
would be in the form of te
cal cooperation arrangem
where agreed fees or roy
would be paid for p
exceeding five years

Machine Tool Indust

The Machine Tool Ind
has recorded a substa
growth in production d
the first two years of the
Plan. This is evident fron
production data of the fol
ing years: 1973-74 (last
of the fourth Plan) — Rs
crores; 1974-75—Rs 92.5 c
1975-76—Rs 105.0 cr
Exports which were at a
of Rs 4 crores in 1973-74
recorded an increase to a
of Rs. 7 crores in 197
During 1975-76, the ex
are estimated to be of
order of Rs 8.5 crore.

COMPANY AFFAIRS

lue Star

OTWITHSTANDING SUCH ad-
rse factors as the severe
ergy crisis and slackening
demand for some of its
oducts, Blue Star Ltd has
ported impressive improve-
ents in its working results
uring the year ended Dec-
mber 31, 1975. The directors,
esides stepping up the equity
ividend to 15 per cent, from
l per cent declared for 1974,
ave rewarded the shareholders
ith a three-for-ten bonus
sue.

The company's income
ecorded a smart rise to
Rs 20.29 crores from Rs 19.94
rores while the profit before
epreciation and taxation too
egistered a handsome increase
o Rs 125.23 lakhs from
Rs 93.84 lakhs in 1974.
Out of the gross profit,
he directors have earmar-
ked a sum of Rs 7.78 lakhs
o depreciation reserve as
against Rs 7.45 lakhs in 1974
while the allotment to meet
ax liabilities has been enchan-
ced from Rs 60.00 lakhs to
Rs 80.30 lakhs. No alloca-
tion has been made for deve-
lopment rebate reserve as
against Rs 0.19 lakh provided
previously. The net profit,
after these provisions, was
still substantially higher at
Rs 37.15 lakhs as compared
to Rs 26.20 lakhs in 1974.
The proposed equity dividend
will absorb Rs 13.88 lakhs,
Rs 6.08 lakhs more than in
1974.

Pfizer

Pfizer Limited has announced its operating results for the year ended November 30, 1975. The total net sales for the year amounted to Rs 33.9 crores against Rs 27.7 crores for the previous year. This increased sales turnover is partly due to price increases granted to the company to offset, in some measure, the significant increases in the manufacturing costs. The net profit at Rs 1.67 crores for 1975 (1974—Rs 1.52 crores) did not register a growth commensurate with that of sales turnover. As a result, the net profit as a percentage of sales in 1975 dropped to 4.9 per cent as compared to 5.5 per cent in 1975.

Declining Profits

The company's profitability has been declining from year to year and although the Drugs (Prices Control) Order permits a pre-tax profit of 15 per cent on sales turnover of formulations, the company's pre-tax profit on formulations in 1975 is even less than half of the ceiling rate. Since 1969, the year immediately prior to the imposition of the Drugs (Prices Control) Order, there has been a continuing decline in the profitability of the company. This is evident from the fact that the net profit at Rs 1.86 crores in 1969 worked out to 11.3 per cent of that year's sales and this ratio has come down to 4.9 per cent in 1975.

The Board of Directors of the Company has recommended a final dividend of Rs 1.90 per equity share for the year ended November 30, 1975. The company paid an interim dividend of Re 0.50 paise per equity share in 1975. Thus, the total dividend for 1975 works out to Rs 2.40 per equity share. The final dividend of Rs 1.90 per share will be payable as follows. 50 paise per equity share payable as immediate dividend on and from June 7, 1976; 70 paise per equity share payable as first instalment of deferred dividend on and from July 5, 1976; 70 paise per equity share payable as second instalment of deferred dividend on and from July 5, 1977.

The net amount of deferred dividend will carry interest at the rate of 8 per cent per annum in accordance with the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974.

The company's applications for the basic manufacture of new products developed through Pfizer research abroad are pending with the government and when approved, will enable the company to take up basic manufacture of these items within the country and thus bring to our people, the benefits of new drug discoveries.

During 1975, the company achieved an export performance of Rs 83.87 lakhs, thus recording a significant growth of 45 per cent over that of 1974. During the past several years, the company's foreign exchange earnings through exports have always exceeded its dividend remittances.

The application for the issue of bonus shares as approved at the last annual general meeting, is pending with the government.

State Bank of Saurashtra

State Bank of Saurashtra has reported highly encouraging working results during the year ended December 31, 1975. Deposits and other accounts advanced by 15.17 per cent from Rs 87.02 crores to Rs 100.22 crores while advances expanded by 10.77 per cent to Rs 67.69 crores from
Rs 61.11 crores in 1974. T
average aggregate deposits i
creased by Rs 4.89 crores du
ing the year as against the ri
of Rs 8.16 crores in 1974. T
share of time and demand d
posits in the total deposi
accounted for 61.91 per ce
and 38.09 per cent respectivel
The sluggish rate of deposi
accretion was due to seve
scarcity conditions prevailin
in the banks main area of oper
tion in the first half of the yea
However with the concerte
drive aimed at deposit mobil
sation and improved econom
condition in the region th
bank's deposit performanc
during 1976 is expected to sho
substantial improvement.

Credit Growth

The maximum level c
credit growth in 1975 was regis
tered at Rs 72.43 crores a
compared to Rs 63.90 crore
in the previous year, th
bulk of the increase being attr
buted to lending to priorit
sector and food procuremen
operations. The bank's pric
rity sector advances viz. agr
culture, small scale industrie
and small business constitute
30.29 per cent of the total ac
vances at the end of 1975 a
against 28.93 per cent at th
end of 1974. If export cred
is also taken into considera
tion, the lendings for priorit
sectors accounted for 41.7
per cent of the bank's tota
advances at the end of 1975 a
against 39.24 per cent at th
end of 1974. The bank
average credit deposit rati
for the year was higher a
85.49 per cent as against 75.4
per cent in the previous yea
The bank's investments rose t
Rs 27.40 from Rs 25.46 crore
while the cash in hand an
balances with the Reserv
Bank of India and State Ban
of India went up to Rs 8.8
crores from Rs 5.47 crores
1974.

The bank's operating i
come increased from Rs 9.3
crores to Rs 11.72 crores b
operating expenditure too r
corded a parallel rise
Rs 11.60 crores from Rs 9.
crores in 1974. The bank
net profit for 1975, after ma
ing the necessary and usu

visions was a shade higher
Rs 11.10 lakhs as compared
Rs 10.86 lakhs in the
ceding year. After adding
18,662 brought for-
rd from last year, the sur-
s amount available for ap-
opriation amounted to
11.29 lakhs. Out of this, a
n of Rs 11.25 lakhs was
nsferred to reserve fund,
ving a balance of Rs 3976.02
be carried forward. With
e opening of 10 branches
ring the year, the bank had
net work of 177 branches.
ut of this, as many as 72 were
cated in rural areas followed
y semi-urban areas with 67
ranches, urban centres with
3 branches and metropolitan
entres with 15 branches. All
n all, the year 1975 turned
ut to be one of magnificent
chievements and commend-
ble performance for State
Bank of Saurashtra.

Goodlass Nerolac

Goodlass Nerolac Paints has been asked to reduce the foreign shareholding in its equity capital. The government had desired a reduction from 80 per cent to 60 per cent in a year and the Reserve Bank had suggested a reduction from 80 per cent to 40 per cent. The company had shown its willingness to reduce the non-resident shareholding but contended that the process should be a gradual one.

As a first step towards this objective, the Lead Industries Group Ltd, London, had agreed to sell 25,200 equity shares at Rs 143 per share to Gokak Patel Volkart. The Reserve Bank had approved the sale on the condition that five per cent of the number of shares involved in the sale should be sold to the UTI. Meanwhile, the company's turnover for the first quarter of 1976 has been higher compared to that for the corresponding period of 1975. Exports were also higher in 1975-76 than in 1974-75.

SPIC

Southern Petrochemical Industries Corporation commenced production by the end of June, 1975. The first hundred thousand tonnes of urea were produced by November 27, 1975, i.e. even during a period when plant observation, testing, rectification, etc, were being undertaken. The plants were shut down between December 1, and middle of January to provide the prime foreign contractors of the ammonia plant an opportunity to rectify the bottlenecks and other deficiencies noticed thus far. From the re-start from the third week of January 1976, the plants have already neared the second lac tonnes of urea. In this perod the SPIC has attained for more than 30 days an average production between 100-110 per cent in the urea plant. On 5 days, about 115 per cent i.e. between 1825-1835 M/tonnes per day were produced consituting world record productions from a single urea plant. The SPIC has thus established very high productivity levels not commonly achieved by any fertiliser unit of similar size within the first nine months.

Rate of Working

The ammonia plant has been working during this period at about 80 per cent level continuously attaining 90 per cent level on a few days. This also is a good rate of working, commonly achieved by many plants in the first nine months. Trial running at 95-99 per cent have also been made. A few bottlenecks have been identified in the ammonia plant in its achieving 100 per cent or over 100 per cent capacity and arrangements are being made for achieving this production by augmenting some equipment or with additional equipment through the responsibility of the foreign contractors (Davy Power-Gas of UK) at their cost. SPIC has since last year no project overun.

In spite of all adverse factors SPIC sold its entire production on cash basis right upto January 1976. Now to stimulate fertilizer consumption during off-season SPIC has launched summer crop campaigns in various parts of its marketing territory. It has also opened depots at strategic points to take SPIC's agronomical/extension services along with SPIC fertilizers to the door of the consumer, i.e. farmer.

Acid Plants

The acid group of plants have already been commissioned, trial production of Diammonium phosphate has also been completed. SPIC is now assessing the impact of price reductions and subsidy announced by the government in respect of potassic and phosphatic fertilizers and has evolved suitable product mix to cater to the farmers' requirements at the lowest cost. Commercial production of these revised NP and NPK complexes will begin from end-April.

The government of India has constituted a Fertilizer Pricing Committee for fixation of retention prices for new projects. This committee has already taken up SPIC's product price fixation on the basis of a reasonable return on capital. In view of SPIC's mammoth production capacity and its very large consumption (4,70,000 tonnes a year) of naphtha, fuel oil and power at Tuticorin, the pricing of these inputs affected SPIC's feasibility, positively or negatively. Unfortunately Tuticorin, Mangalore and Goa which were to be declared as pricing points as soon as they became major ports had not been declared so far for the purpose of minimal petroleum pricing point, and hence the prices of these inputs and their cost servicing have affected SPIC by about Rs 14 crores per year. Incidentally as against 1.2 tonnes of naphtha per tonne of ammonia in the ammonia plant SPIC used to the extent of 1/3rd of the input, *Fuel oil instead of Naphtha,* so as to conserve naphtha when it is in short-supply as endorsed by government in 1971. The cost of fuel oil against naphtha was around 180 per cent now when compared to the equal cost of naphtha and fuel oil 3 years ago.

In view of SPIC's very good performance, the government
of India and governmen
Tamil Nadu have firmly t
up measures to adequ
rectify this anamolous s
tion. SPIC has claimed
such reliefs with retrospe
effect.

Lakshmi-Ruti Looms

Lakshmi Automatic L
Works Limited, a comp
promoted by Lakshmi Mac
Works Limited and Mr G
Devarajulu of the well-kn
Lakshmi Group, is entering
capital market on May
with a public issue of 16,50
equity shares of Rs 10 e
at par fully underwritten, is
will close on May 21, or
lier, but not before May
The issue is being made
finance a part of the compar
Rs 9 crore automatic loo
project, being set up in Ho
Industrial Area (Tamil Nad
on the Bangalore-Madras hi
way.

The company has been lic
sed to manufacture 1,800 R
'C' type weaving machines
annum. The technical a
financial collaborators are R
Machinery Works Limited
Switzerland. Ruti Machine
Works Limited are the wo
leaders in the manufacture
textile weaving machines, w
a proven record of over
years.

The company has made ra
progress in the implementat
of the project. Civil work
the site has already comm
ced. Plant and machin
have started arriving at
and erection work has comm
ced. Initial production
commence from January 1
and commercial productio
April-June 1977.

Mr G. K. Devarajulu,
promoter of the company,
a unique record of outstand
successes in many enterpr
he has ventured. The c
panies promoted by
Lakshmi Mills Co Ltd, Sc
India Viscose Ltd and Laks
Machine Works Ltd are
doing extremely will.

The company has an ex
commitment of 25 per cen
its production during the

ear of operation which will o up to 50 per cent (900 ooms) in the fifth year. Ruti Iachinery Works Ltd, the ompany's collaborators, have greed to assist the company o export its products. The ompany's product will be heaper in the export market n view of the in-built cost ad-antages and this will give an dge to the company's product n the international markets.

Cost of the Project

The project is estimated to ost Rs 900 lakhs and is pro-posed to be financed by share apital (Rs 300 lakhs) of which Rs 75 lakhs will be taken up by Ruti Machinery Works Ltd, he foreign collaborators, Rupee Term Loans/Debentures rom Financial Institutions/ Commercial Banks (Rs 420.90 akhs), foreign currency loan rom institutions (Rs 104.10 akhs), advances against orders Rs 15 lakhs), central subsidy Rs 15 lakhs) and subordina-ed unsecured loans from pro-moters (Rs 45 lakhs).

In terms of productivity, Ruti 'C' is capable of giving pproximately 30 per cent extra production, compared to the present loom in the market.

It is anticipated that in the ifth five-year Plan period, the extile industry in India will be installing about 76,000 looms, out of which 51,000 looms will be of automatic and the balance of non-atuo-matic nature. According to the current trends, the ratio of distribution between automatic and non-automatic looms is 1:2.

This will create a demand for 17,000 looms. Further, the existing looms in this country are rather obsolete and need replacement. As per the present rate of replace-ment levels, it is anticipated hat approximately 21,000 auto-matic looms will be required to meet the replacement demand in the next five years. Thus the total demand in the next five years is expected at 38,000 looms, which is much higher than the company's installed capacity.

News and Notes

Lead crystal glassware will be manufactured for the first time in the country by **Eagle Vacuum Bottle Manufacturing Co** at its complex at Talegaon (Maharashtra) in technical col-laboration with Riedel group of companies, Austria, mainly for export. The project cost is estimated at about Rs 50 lakhs and production is expec-ted to commence in about a year's time.

The company's vacuum flasks are at present being ex-ported to over 50 countries including the USSR, Poland, Hungary, Czechoslovakia, West Germany, France, UK and Japan. Its exports have risen from Rs 9.55 lakhs in 1970 to Rs 40.23 lakhs in 1975. The company also pro-poses to set up a Rs 10 lakh project for manufacturing butane gas cigarette lighters mostly for exports.

Benzaldehyde will be manufactured by Morani Chemicals from next month by an oxida-tion process at its plant at Kalyan near Bombay. This chemical which will be free from chlorine is a raw material for the pharmaceutical and perfumery industries. The com-pany has developed the process itself and will manufacture in the first place about 100 ton-nes per annum. The capacity will be stepped up to 200 ton-nes from the next year. The company is simultaneously in-troducing acetophenone to meet the country's entire re-quirements. Later it has plans to manufacture phenyl acetic acid which is required for the manufacture of penicillin.

New Issues

Usha Atlas Hydraulic Equip-ment Limited promoted by Usha Telehoist Ltd proposes to enter the capital market shortly with a public offer of 1,18,750 equity shares of Rs 10 each and 5,000—11 per cent redeemable cumulative preference shares of Rs 100 each both for cash and at par. The object of the issue is to raise a part of the finance a Rs 70 lakh hydraulic cr project. The company received a licence for the ma facture of 600 numbers truck mounted hydraulic c nes and accessories per annu

This is the first time in country that truck moun hydraulic cranes will manufactured as this is a n concept in the field of mech nical handling. There is growing domestic as well export demand of this type hydraulic cranes due to proven superior performan over other conventional mech nical handling equipment. has a wide range of use bo for defence and civil purpos As such, the company anti pates no problem in marketi its products profitably.

The promoting company h entered into a collaborati agreement with H Weyhaus GmbH of West Germany u der which the collaborator h furnished all technical da and other information requir for the manufacture of cran and accessories thereof again

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its mate-rial in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and advertisement may be addressed to:

The Manager,
The Eastern Economist Ltd, Post Box No. 34, New Delhi-1.

onsultation fee of Rs 5 lakhs three equal instalments and oyalty of three per cent on net ex-factory sale price inced in each year for a period five years commencing from date of commercial proction. The agreement proes a committed sale of per cent of the company's nual production of the speied products to the foreign llaborators. The governent of India has also allod equity participation of .5 per cent by the foreign llaborator and the comny has obtained the acknowdgement of the Controller the Capital Issues for issuing ,750 equity shares out of the roposed issue.

Civil construction is in proress at the plant which is ocated at Mahestala, 24—arganas of West Bengal. The ompany expects to go into roduction by end 1976.

Based on current forecasts, he management hopes that ufficient profits will be earned y the company to enable it o start declaring dividends within a reasonable period rom the date of commencement of production.

Mackinnon Mackenzie & Company Ltd is Indianising itself with an issue of 15,00,000 equity shares of Rs 10 each at par. The offer is open only to Indian nationals resident in India and must be for a minimum of 50 shares or multiples thereof. This issue will have the effect of diluting the foreign shareholding of the company from the present 100 per cent to 40 per cent.

Of the total issue of 15,00,000 equity shares, 1,00,000 shares will be allotted to the directors' friends and the employees of the company, on or prior to the date of opening of the subscription list. The balance of 14,00,000 shares are now being offered for public subscription in cash. The subscription list will open on May 12,1976 and close on May 24,1976 or earlier, but not before May 15, 1976. The public Issue has been fully underwritten.

The company is engaged in a wide range of shipping activities in each of which it is eminent. For their recent venture into Shipowning, Mackinnons have shrewdly selected the handy-sized bulk vessels that have an assured cargo, and access to small but important high-traffic ports. It is thus guaranteed business and profit even in a fluctuating situation. Mackinnons exports have been growing apace in the gulf areas. Already, in less than a year, the export revenue has touched Rs 1.92 crores and the company has orders on hand for export of seagoing craft worth Rs 83 lakhs.

What also gives the company a solid and continuing profit base is their wide range of services such as shipping and port agencies, ship broking, ship management, barge owning and operating, ship manning, clearing and forwarding, airfreight, travel and tourism. This diversification over the years has paid off and business has developed at a rapid and encouraging pace.

Acquisition of Ships

The significant feature of the diversification and expansion programme of Mackinnons for which it will employ the proceeds of the issue, is the acquisition of more handy-sized ships that Mackinnons will own and operate. They are specially well-equipped for this venture having had over 100 years of highly professional experience in this field, handling business for the famous B I (The British India Steam Navigation Company) and P & O (The Peninsular and Oriental Steam Navigation Company). Mackinnons continue to be a part of the P & O Group, one of the world's largest shipping combines—and this gives them worldwide access to business, and to expertise.

Polymer Papers is setting up a Rs 60 lakhs project at Faridabad (Haryana) for the processing and impregnation of technical filter paper in technical collaboration with **Carl, Schleicher and Schull of West Germany**. The filter paper is at present largely imported. It has a variety of filtration applications, mainly in the transport industry in the internal combustion engines. The main plant has already been imported from West Germany. The company holds a licence for manufacturing impregnation and conversion of 400 tonnes technical filter paper. Trial production is expected to commence by the end of May, 1976.

Capital and Bonus Issues

Consent has been granted to six companies to raise capital of over Rs 21.23 million.

The Ahmedabad Kaiser-Hind Mills Co. Ltd, Ahmedabad: have been accorded consent, valid for three months to capitalise Rs 618, 700 out of its general/reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Continental Construction private Limited, New Delhi: have been accorded consent valid for 3 months to capitalise Rs 1,200,000 out of its general/reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

BA and Brothers (Estn) Pvt Ltd, Calcutta: have been accorded consent, valid for three months to capitalise Rs 600,000 out of its general/reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one eq shares held.

Cutfast Abrasive Tools I Madras: have been accor consent, valid for three mor to capitalise Rs 545,000 ou its general/reserve and is fully paid equity shares Rs. 100 each as bonus sha in the ratio of one bonus sh for every equity share held.

Carbon Corporation Limit Bombay: have communica too the government of its p posal to issue under clause of the Capital Issue (Exen tion) Order, 1969 for Rs million comprised in 1.8 n lion equity shares of Rs each for cash at par. T object of the issue is to ra a part of the finance requi for the project to be set up Nasik, Maharashtra.

Eencardio Rite Electron Private Limited, Lucknow: ha been accorded consent va for three months to capital Rs 275,000 out of its gener reserve and issue fully pa equity shares of Rs 100 ea as bonus shares in the rat of one bonus share for eve one equity share held.

Correction

On page 805 of *Eastern Ec nomist* dated April 16, 197 in column one, under t subhead "Uptrend in Export please read Rs 3.28 cror and Rs 1.62 crores f Rs 3.28 lakhs and Rs 1. lakhs. The error is gretted.

Dividends

(Per cen

Name of the company	Year ended	Equity divide declared fo	
		Current year	Previ yea
Higher Dividend			
Phillips Carbon	Nov. 30, 1975	16.0	12.
Blue Star	Dec. 31, 1975	15.0*	11.
National Rayon	Dec. 31, 1975	14.0	11.
Ugar Sugar	June 30, 1975	8.0	Nil
Indian Vegetable Products	Dec. 31, 1975	20.0	16.
Same Dividend			
Deepak Nitrite	Oct. 31, 1975	12.0	12.
Highland Produce	Dec. 31, 1975	12.0	12.
Reduced Dividend			
Baroda Rayon	Dec. 31, 1975	Nil	4.
Tube Investiments	Dec. 31, 1975	Nil	10.
Travancore Rayons	Dec. 31, 1975	Nil	16.
Special Steels	June 30, 1975	4.0	7.

* On the enlarged capital.

RECORDS AND STATISTICS

mending the onstitution

HE SWARAN Singh Committee cently submitted its report the Congress Working Com- ittee (CWC) on amendments the Constitution of India. indicated that in its view it as not necessary to abandon e parliamentary system of overnment in favour of the residential system. The CWC xamined this report in one of s recent meetings but did not ake any final decision in this egard. The CWC will meet gain on May 21, 1976, im- nediately before the All India Congress Committee meeting b be held on May 22 and 23. is presumed that the commi- ee will have drafted its final ecommendations by May 22.

The following are tentative roposals of the Swaran Singh Committee on amendment to he Constitution of India:

I-*System of Government*: uggestions have been put for- vard that the present parlia- nentary system may be repla- ed by the presidential form f government. The commit- ee is of the view that it is nnecessary to abandon the arliamentary system in favour f the presidential system. n a federal set-up, with the ind of regional diversity as ve have, the parliamentary ystem is the best suited to reserve the unity and integrity f the country. It also ensures reater responsiveness to the oice of the people.

II-*Amendment of the Con- titution*: The framers of the Constitution were conscious of the need to provide both for the mechanism and the power to make amendments in the Constitution. This was necessary to ensure that the Constitution kept pace with aspirations of the people. It was recognised that the conditions in India were rapidly changing and the country was in a state of flux politically and economically and, therefore, the Constitution should not be too rigid.

Constituent Power

Article 368 of the Constitution, as it stands at present categorically lays down that Parliament may, in the exercise of its constituent power, amend by way of addition, variation or "repeal any provision of the Constitution" in accordance with the procedure laid down in the article. The language of the article is clear and does not, in any way, restrict the scope of amendment if the provisions relating to the requisite majority for passing an amendment are complied with.

To place the matter beyond doubt, a new Clause may be inserted in Article 368 to the effect that any amendment of the Constitution shall not be called in question in any court on any ground. The Constitution is the supreme law of the country and any amendment thereof as provided in Article 368 is as much a fundamental law as is the rest of the Constitution.

III—*Power of Judicial Review*: (1) Article 13 of the Constitution expressly prohibits the making of any law which may be inconsistent with or in derogation of any of the fundamental rights. Articles 32 and 226 confer power on the Supreme Court and the high courts, respectively for the enforcement of fundamental rights. The legislative power of the union Parliament and the state legislatures is contained primarily in Articles 245 and 246.

The constitutional validity of a law may be challenged on the ground that the subject-matter of the legislation is not within the competence of the legislature which has passed the law or that the law, or some provision thereof, is repugnant to a provision of the Constitution. The validity of a law can also be challenged on the ground that it infringes one of the fundamental rights contained in the constitution.

It is the committee's view that the constitutional validity of any legislation enacted by Parliament or a state legislature should be decided only by the Supreme Court. The minimum number of judges of the Supreme Court who are to sit for the purpose of deciding any case involving a question of constitutional validity of a law shall be seven, and the decision of the court declaring a law invalid must have the support of not less than two-thirds of the number of judges constituting the bench.

Circuit Bench

In order to obviate any difficulty which litigants in distant part of the country may have in approaching the Supreme Court in Delhi, it is suggested that the court may sit in circuit in three other zones besides Delhi.

(2) Article 226 gives very wide powers to the high courts in the matter of writ jurisdiction. In fact, the high courts, enjoy in this matter a wider power than even the Supreme Court. While the jurisdiction conferred on the Supreme Court is restricted to the enforcement of fundamantal rights, the high courts have been given power to issue directions, orders or writs not only for the enforcement of fundamental rights but also for any ot purpose. The words 'and any other purpose' in Arti 226 should be omitted, a the relevant provisions am ded accordingly.

(3) Article 31C provides th no law giving effect to t directive principles specified Clause (b) or Clause (c) Article 39 shall be deemed be void on the ground that contravenes Article 14, 19 31. It is proposed that t scope of the present Artic 31C should be widened so as cover legislation in respect all or any of the Directive Pri ciples enumerated in Part I of the Constitution, and tha such legislation should not b called in question on th ground of infringement of an of the fundamental rights con tained in Part III. Provisio should, however, be made tha no such law shall affect th special safeguards or right conferred on the minoritie or the scheduled castes, th scheduled tribes or other back ward classes under the Consti tution.

Special Tribunals

(4) The courts should hav no jurisdiction in relation t service matters. Administra tive Tribunals may be set u both at the state level and a the centre to decide cases relat ing to the service matters Provision may also be mad for an all-India Appellate Tri bunal to decide appeals.

(5) Provision may be mad for setting up an all-Indi Lower Appellate Tribunal t decide appeals from labou courts and industrial courts and the high courts jurisdic tion under Articles 226 and 22 in this matter may be take away.

In the matter of constitutin tribunal referred to in (4) an (5) above, it should be ensure that they inspire confidenc among all concerned and tha the members are persons o high standing possessing specia knowledge and experience i the respective fields. Th objective should be that th matters going before thes ibunals are decided fairly nd expeditiously.

(6) No writ jurisdiction un- r Article 32 or Article 226 hall lie in relation to :—

(i) any matter concerning the evenue or concerning any act rdered or done in the collec- ion thereof;

(ii) any matter relating to nd reforms, and procure- nent and distribution of food- rains;

(iii) election matters.

(7) The reference to "tribunals" in Article 227 should be omitted.

IV—*Disqualification for Membership of Parliament/State Legislatures*:

(1) Under Article 329A of the Consttiution, disputed elections in relation to the offices of President, Vice-President, Prime Minister and Speaker, are to be decided by an authority or body to be created by a law of Parliament. It is felt that all questions of disqualification (including the period of such disqualification) of members, both of Parliament and of state legislatures, should be determined by this body or authority. At present, this power is exercised by the President/Governor after consulting the Election Commission and in accordance with the Commission's advice.

The proposed body or authority may consist of nine members—three each to be chosen from the Rajya Sabha and the Lok Sabha in such manner as may be prescribed and three to be nominated by the President.

(2) Article 102(1) (a) and Article 191 (1)(a) in the case of manner of State Legislatures] may be amended so as to provide that a person shall be disqualified for being chosen as, and for being, a member of either house of Parliament (or either house of a state legislature) if he holds any office of profit under government declared by Parliament (or by the state legislature in respect of its members) by law to disqualify its holder for such membership. The existing position has led to a great deal of uncertainty.

V—*Centre-state Coordination*:

(1) Agriculture and education are subjects of prime importance to the country's progress towards ach desired socio-economic ges. The need to evol India policies in relati these two subjects cann overemphasised. It is, fore, suggested that edu and agriculture should b ced in the concurrent li

(2) The centre's help is sought when there is a situation of law and or a state. If the centre is able to render help effec to the states in such tions, it should have the to deploy police or other lar forces under its own s intendence and control i state. Suitable provision be made in the constit for this purpose also.

Automobiles & allied industries

THE AUTOMOTIVE sector as a whole showed a positive growth during 1975-76. Against a total output of a little over Rs 10216 million of automotive equipment in 1974-75, production during 1975-76 was of the order of Rs 11,575 million representing approximately a rise of 13 per cent. Even in absolute terms, except in the case of passenger cars and jeeps, the production of all other equipment was on the positive side.

Commercial vehicles registered an increase of 8.8 per cent, 3-wheeler scooters 8.7 per cent, scooters 27.4 per cent, motorcycles 14.4 per cent, auto ancillaries 25 per cent, heavy diesel engines 13 per cent, and tractors 7.0 per cent. On the export front also the industry registered an increase. From Rs 548 million worth of exports in 1974-75, exports during 1975-76 were approximately for Rs 664 million.

In terms of indigenisation also the industry has achieved a significant progress. As against a total expenditure of foreign exchange of Rs million during 1974-75, of foreign exchange for in of components and raw rials etc. during 1975-7 expected to be of the ord Rs 968 million only. reduction is significant ha regard to the fact that d 1975-76 the industry has r tered a growth of app mately 13 per cent and d 1975-76 also almost the growth rate is expected t maintained.

Tentative Targets of Production and Export for Automobiles and Allied Industries

Sl. No.	Item	A/c unit	Production forecast			Targets for 1978-79 as indicated in Inputs Panel of Dev. Coun.	Export projections (Rs lak		
			1974-75	1975-76	Forecast for 1976-77 by DGTD		Actual 1974-75	Estimated 1975-76	Targ fo 1978
1.	Commercial vehicles	Nos.	40193	43775	48000	66500	2172	2435	
2.	Jeeps	,,	9628	7133	8000	10000			
3.	Cars	,,	31431	22454	24000	40000			
4.	3-wheeler scooters	,,	12210	13278	17000	40000	94	462	
5.	2-wheeler scooters	,,	88356	112550	143000	300000			
6.	Motor cycles	,,	61222	70165	76000	100000			
7.	Mopeds	,,	31911	34265	40000	100000			
8.	Tractors	,,	31101	33267	35500	52000	50	100	
9.	Power tillers	,,	2019	2400	3200	5850	—	—	
10.	Diesel engines upto 20 HP	,,	94849	116183	123200	140000@	1025*	1300*	
	20—100 HP	,,	21734	22347	24200	37100			
	100—800 HP	,,	2594	2950	3000	3900			
11.	Auto ancillaries	Rs. million	1960	2450	2600	5000	2005	2200	
12.	Construction & heavy earthmoving equipments	,,	906	914	1027	1354	135	145	
	Total						5481	6140	

@ The Inputs Panel has indicated a target of 5,83,000 Nos. for this range which is by and large reserved for small-scale sect

* Includes export for petrol engines, power driven pumps and air compressors also.

troleum in 75-76

annual report for 1975- e ministry of Petroleum, nment of India, has pted to place the recent y of oil prices and the bility of oil in perspec- A detailed assessment of ork currently being done e Oil and Natural Gas nission and Oil India Ltd. gard to oil exploration been included. In addi- steps taken to refine petro- have been outlined. For nce, the ten refineries in country processed 21.8 on tounes of crude oil g January-December, The public sector refi- s processed 16.7 million es of crude oil.

e government has also ly stated its policy regard- effective control over this stry in respect of refining, eting, exploration and uction. With the take-over sso and Burmah Shell, the rnment has acquired con- of about 95 per cent of the uction and marketing of leum products in the coun- Currently negotiations eing continued for acquir- ontrol over Caltex, Assam Company and Oil India ted.

Steady Progress

e report also lists the nments made in the field of chemicals. The Indian chemical Limited, Baroda, ecorded a steady progress production of DMT, the raw material for polyester polyester filament yarn olyester resins.

major developments in eld of petroleum as well etrochemicals are given :

the Vienna meeting of OPEC countries held in nber, 1974, the price of crude oil for direct sales by the OPEC countries was set at 93 per cent of the posted price, after a reduction of the posted price prevailing during 1974 by 40 cents per barrel. As a result, the market price of the Arabian Light Marker crude was $ 10.46 per barrel. These prices were frozen for a period of nine months till September, 1975. At the subsequent meeting of the OPEC countries in September 1975 in Vienna, a 10 per cent increase in crude price was announced, enhancing the price of Marker crude from $10.46 to $ 11.51 per barrel. These prices are to remain firm for another period of 9 months, till the end of June, 1976.

Indian Oil Corporation entered into contracts for the supply of crude oil during the year 1975 with the National Oil Companies of Iran, Iraq, Saudi Arabia and UAE as indicated below:

(In million tonnes)

Iran	2
Iraq	2.9
UAE	1
Saudi Arabia	1.1
Total	7.0

Apart from this, supplies to Madras Refinery Limited (MRL) are covered under a contract with NIOC/AMOCO of Iran. During 1975, imports to the extent of 2.6 million tonnes are expected to be effected by MRL under this arrangement.

Supplies to Hindustan Petro-Chemicals Limited (HPCL) are governed by an agreement for supply of crude oil with EXXON. HPCL have imported an approximate quantity of 2.6 million tonnes during 1975 under this arrangement.

There was a progressive reduction in the crude oil brought in by Burmah-Shell and Caltex, during the year 1975 compared to 1974 as shown below:

(Figures in tonnes)

Name of the company	Imports made during	
	1975	1974
Burmah Shell	1,247,947	2,913,843
Caltex	481,724	1,107,330

India's balance of payments position has been under severe strain as a result of the five-fold increase in crude oil prices from 1973. The import bill for oil, including products, has increased from Rs 194 crores in 1971-72 to Rs 1170 crores in 1975-76. The increase in the exchange value of the dollar *vis-a-vis* the rupee and the 10 per cent increase in crude oil prices announced by OPEC with effect from October 1, 1975, have led to an increase in the total foreign exchange outgo for the import of crude during the year, which is now estimated to be about Rs 1056 crores. As a result of these increases, the average c.i.f. value of the various crudes imported has increased to $12.27 per barrel, as against the average of $11.22 per barrel, during the earlier part of the year.

The Oil Prices Committee (OPC) submitted its interim report on the February 3, 1975. One of the important recommendations of the committee was that the principle of import parity in the pricing of indigenous crude and petroleum products should be given up. The committee had evolved retention prices for each product and for each refinery, taking into account all relevant factors. Government accepted these recommendations with effect from July 14, 1975. However, taking into account the prevailing economic situation, government decided to meet the inescapable expenditure of the oil industry by increasing the selling prices of kerosene by five paise instead of 11.7 paise per litre recommended by the OPC and of HSD by eight paise instead of 14.6 paise per litre recomended by OPC. It was also decided to increase the selling prices of domestic cooking gas by Rs 2.50 per cylinder of 15 kg. instead of Rs 5 per cylinder proposed by the OPC. The selling prices of Aviation Gasoline, Motor Spirit, Aviation Turbine Fuel, Light Diesel Oil were kept unchanged.

Price Hike

Following the decision of the organisation of Petroleum Exporting Countries to raise the prices of crude oil by 10 per cent from October 1, 1975, the suppliers of crude oil to India from Middle East raised their prices by about $ 1 per barrel. To meet the inescapable additional expenditure of the oil industry, governmet decided to increase the basic ceiling selling prices of Kerosene. High Speed Diesel Oil and Furnace Oil by Rs 120 per kilolitre or 12 paise per litre with effect from December 1, 1975. The price of Liquefied Petroleum Gas (LPG) was also increased by Rs 2.50 per cylinder of 10 kg. These increases were exlusive of local taxes etc.

As per the recomdamentions of the OPC, an Oil Coordination Committee was set up for administering pool accounts, deciding on allocation of crude oil and monthly production patterns; and coordinating transportation arrangements for crude oil imports and coastal movements.

In view of the prevailing high prices of crude oil in the world market, petroleum inputs are being planned carefully to keep their growth under control. Greater economy and efficiency in the use of petroleum products continues to be given the highest priority while essential demands are being met fully. A close watch was kept throughout the year on stocks and consumption of various troleum products. As a sult of these measures the owth rate in the consump- on of petroleum products 1975 was only 1.4 per cent ver 1974.

Government announced a pecial award of Rs 25,000 to ny one devising a suitable erosene stove which would be hore convenient to the housevife and provide better fuel fficiency. A number of entries vere received and evaluated. Unfortunately none of these stoves was found to be superior o stoves currently available in the market. However, the Indian Institute of Petroleum and the Research and Development Centre of IOC have been able to devise a model with improved thermal efficiency of 60 per cent against 35 to 45 per cent of the existing stoves in the market. This will compare well with the efficiency of commonly used LPG stoves. Prototype of the improved stoves are under fabrication and eventually they are proposed to be sold through the oil companies retail outles.

A high level Committee was set up under the Chairmanship of Mr K. R. Damle to study the existing distribution arrangements for petroleum products and suggest measures for improvements, keeping in view the changed situation. A new look at the existing distribution system has become necessary in the light of some of the oil companies coming into the public sector.

Distribution Centres

A scheme of converting the existing petroleum retail outlets of the oil companies into multi-purpose Rural Distribution Centres was launched during the year. Apart from selling all petroleum products, instead of only high speed diesel oil and motor spirit as hitherto these centres will provide, in addition, tractor repair facilities and spare parts, agricultural inputs like seeds, fertilizers, pesticides, insecticides, etc. and other essential commodities like cycle tyres, tubes and other spares', controlled cloth, common household drugs, soaps, vanaspati and cooking oil, torches and torch cells, etc. Outlets located in rural and semi-urban areas are being selected for this purpose. About 80 such centres have been set up so far upto December 1975. The number will go up to about 400 by the end of 1976. In addition, Farm Fuel Centres are being opened in predominantly agricultural areas to provide petroleum products and agricultural inputs to the farmers.

Near self-sufficiency was achieved during the year in affreightment of crude and refined products including coastal movements within the country. Except for Cochin, crude supplies even to the foreign oil company refineries at Bombay and Vizag were started during the year, in Indian Flag vessels. Despite the risks involved, oil companies succeeded, for the first time, in making arrangements for lightering crude bigger vessels to smaller vessels on the high seas.

Marketing Facilities

Considerable progress was made during the year to expand the marketing facilities for domestic gas. Besides a substantial increase in the filling and storage capacity of the existing Shakurbasti plant, a new bottling plant was commissioned at Kanpur in July, 1975. Eleven new tank trucks were acquired by IOC for bulk transportation of gas from Koyali to Shakurbasti. Orders for five more tank trucks and 60 tankwagons are being progressed and supplies are expected to commence in the first quarter of 1976. Import of about 5,000 tonnes LPG steel was completed in April, 1975. This, together with import of the same quantity of the previous year, has made the availability of cylinders adequate for meeting the full marketing requirements of IOC and other companies.

During the year the supply of LPG was introduced in 32 new towns, 76 new agencies were awarded and 2.4 lakh new consumers were enrolled. Commitment of LPG for industrial purposes, where alternative

Petroleum Statistics

('000 to

Item	1973	1974	1975*	Variat 1974 1973
I. Crude Oil Production				
1. Total	7198	7490	8283	+4.1
2. ONGC	4012	4338	5128	+8.1
3. OIL	3102	3080	3087	—0.7
4. ACC	84	72	68	—14.2
II. Refinery Throughput				
1. Total	20518	20783	21835	+1.3
2. ACC	528	533	533	+0.9
3. BSR	4481	3988	3528	—11.0
4. ESRO/HPCL	2912	3152	2722	+8.3
5. CORIL	1113	1155	1052	+3.8
6. Gauhati	771	752	862	—2.5
7. Barauni	2659	2817	2898	+5.9
8 Gujarat	3581	3715	4036	+4.7
9. Haldia	—	—	1125	—
10. CRL	1068	2345	2442	+19.2
11. MRL	2505	2325	2697	—7.2
III. Refinery Production				
1. Total	19125	19303	20530	+0.9
2. Light Distillates	3404	3339	3571	—1.9
L.P. Gas	259	278	320	+7.3
Motor Gasoline	1647	1290	1223	—21.7
Naphtha	1368	1648	1914	+10.5
3. Middle Distillates	9805	10159	10522	+3.6
Kerosene	2631	2052	2325	—22.0
Aviation Turbine Fuel	851	808	911	—5.1
High Speed Diesel	5039	6034	6240	+19.7
Light Diesel Oil	1079	1084	888	+0.5
4. Heavy Ends	5916	5808	6437	—1.9
Furnace Oil	2571	2884	3456	+12.2
Fuel Oil (total)	3931	4243	5084	+7.9
Lubes Oil	292	396	355	+35.6
Bitumen	1167	875	697	—25.2
Petrloum Coke	131	132	157	+0.8
IV. Consumption of Petroleum Products				
1. Total	23687	23015	23347	—2.8
2. Light Distillates	3491	3322	3564	—4.8
LPG	263	282	324	+7.2
Motor Gasoline	1605	1258	1258	—21.6
Naphtha	1454	1624	1835	+15.7
3. Middle Distillates	11004	11200	11488	+1.8
Kerosene	3451	2850	3034	—17.4
ATF/Jet-A-I	798	799	876	+0.1
HSDO	5193	6229	6549	+19.9
LDO	1360	1142	872	—16.0
4. Furnace Oil	4542	4296	4221	—5.4
5. Fuel Oils (total)	5932	5705	5749	—3.8
6. Lubes & Greases	635	489	439	—23.0
7. Bitumen	1134	857	717	—24.4
8. Petroleum Coke	133	103	129	—22.6
9. Others	154	152	137	—1.3
10. R.B.F.	1204	1187	1123	—1.4

*Provisional

l can be used, and in organi- establishments like hotels, nteens, restaurants, hospi- s, etc. where cooking is ne by employees, is dis- uraged. Oil companies have en advised to gradually with- aw LPG suppplies from such tablishments wherever allo- ed in the past.

To prevent malpractices by nscrupulous dealers and deli- ry men, IOC has devised an nproved seal which will pre- ent tempering of cylinder alves. Arrangements are ow being made to get this xed on cylinders at all filling ations of IOC and Bharat efineries Limited.

Oil companies have also in- ensified checks both, at the lling stations and at dealers' howrooms/godowns. Surveys vere made by the IOC in najor towns to assess the ex- ent of customer satisfaction vith existing arrangements nd obtain suggestions for mprovement. Consumer Ser- ice Cells were started n IOC's district and regional ffices to give prompt atten- ion to complaints and improve he service through a closer ontact with consumers.

Regular Supplies

To avoid temporary disloca- ion in supplies, particularly n the Bombay area during efinery shutdowns, import of piked crude was allowed as a pecial case for processing on n experimental basis in the HPC refinery. Results of this xperiment were highly satis- actory and helped in saving onsiderable customer incon- eniences during the shutdown f HPC refinery in March- April, 1975 and of Burmah Shell refinery in November, 975.

The Oil and Natural Gas Commission (ONGC) and Oil ndia Limited (OIL) are the wo principal agencies for oil xploration and production in he country. ONGC is a atisfactory body with its phere of operations extending ountry-wide including the ff-shore areas. OIL is in the oint sector and has been opera- ing in certain portions of Assam and Arunachal Pradesh. The Assam Oil Company (AOC) in the private sector produces marginal quantities of crude oil from its fields in Assam.

The annual rate of production of crude oil from the Assam and Gujarat oil fields of ONGC has been stepped up from 4.5 million tonnes last year to around 5.20 million tonnes in 1975-76. Efforts made during the year to increase the production from ONGC's oil fields have thus resulted in an increase of over half a million tonnes of crude oil annually. OIL has maintained the rate of production from its oil fields at 3.08 million tonnes per annum as programmed. The current indigenous production is thus of the order of 8.2 million tonnes per annum.

Oil Exploration

ONGC's long-term progamme of oil exploration and production during the current decade is based on the Joint Techno-economic Plan, which was prepared in the early seventies with the assistance of Russian experts. The on-shore programme included in the fifth Plan period is, in fact, based on this. This offshore programme has been intensified following the significant discovery of oil in Bombay High. The total indigenous production from ONGC's oil fields both on-shore and off-shore by 1978-79 is expected to be around 12 million tonnes per annum.

The fifth Plan work programme lays emphasis on secondary recovery measures in the western region, the development of the new oil fields in the eastern region a phased development of the Bombay High structure. OIL is expected to maintain its production at an annual rate of 3.08 mmt throughout the Plan period. Together with this, the indigenous sources are thus expected to yield about 15 mmt crude oil during 1978-79. However, considering that the demand for petroleum products is expected to be higher, there is need to discover new oil resources and bridge the gap between the demand and supply of crude oil.

The fifth Plan programme envisages that at least 70 to 100 million tonnes of additional recoveries reserves are estab shed by the end of 1978- As a result of the explorati efforts made in the easte and western regions and al in Bombay High, there h been an overall increase in t initial and the balance recover

Import of Crude Oil and Petroleum Products

(Qty : '000 tonne
(Value : CIF value in Rs crore

Products	1973		1974		1975*	
	Qty.	Value	Qty.	Value	Qty.	Valu
1. Light Distillates	217	8.07	87	6.39	39	7.0
of which: Naphtha	173	5.43	50	1.69	—	-
2. Middle Distillates	1478	87.04	1224	104.01	1229	118.7
of which: Kerosene	886	31.25	852	72.75	657	67.7
3 H. S. D. O.	291	8.72	268	22.79	272	50.9
L.D.O.	301	7.07	104	8.47	—	-
.. Heavy Ends	2040	32.92	1638	99.19	912	63.0
of which; Furnace oil	1944	25.49	1533	82.88	833	48.
Lubes	96	7.43	105	16.31	79	14.4
4. Total (POL Products)	3735	88.03	2049	209.79	2180	188.7
5. Crude Oil	13443	244.56	13972	899.36	13669	957.9
Total Imports	17178	332.59	16921	1109.15	15849	1146.7

Exports Including Re-Exports of Petroleum Products

(Qty. : '000 tonnes
(Value : Rs crores

Products	1973		1974		1975	
	Qty.	Value	Qty.	Value	Qty.	Valu
1. Light Ends	13.6	0.55	130.7	12.70	90.6	5.7
Naphtha	4.5	0.19	123.7	12.09	90.9	5.5
Gasoline	9.1	0.36	7.0	0.61	1.7	0.2
2. Middle Distillates	40.8	4.67	156.5	4.95	29.9	2.7
Kerosene	156.1	1.88	38.6	3.35	13.6	1.2
A.T.E.	3.8	0.13	—	—	—	—
H. S. D. O.	68.8	2.32	11.9	1.03	7.9	0.7
L. D. O.	12.1	0.34	6.0	0.57	8.4	0.7
3. Others	0.6	0.13	15.2	1.72	43.2	3.5
Asphalt/Bitumen	Neg.	0.02	9.4	0.73	33.2	2.1
Lubes/Greases	10.1	0.04	3.1	0.45	9.9	1.4
Wax	0.5	0.07	2.7	0.54	0.1	0.0
Total Products (PLO)	155.0	5.35	202.4	19.37	165.7	12.1

reserves of oil and gas in country. The increase in balance recoverable re- rve of oil during 1974 had en of the order of 20 million nnes which compares favour- bly with the Plan objective. he available oil reserves are ill not sufficient to meet lly the demands anticipated the future. Intensification f efforts to add to our crude il reserves substantially and epping up the crude oil pro- uction as speedily as possible, ontinued to be treated as matters of the highest national mportance and urgency.

There has been an all round ffort to intensify oil explora- ion efforts in areas where exploratory work has already been taken up and to extend exploration activity to new areas which has not hitherto been investigated in detail. In the onshore areas, emphasis is laid on exploration of deeper prospects in the producing areas on land, intensification of exploration in areas on land where no oil has been found hitherto and modernisation of the techniques and equipment. While exploratory drilling has continued without interruption in the eastern and the western sectors, drilling operations have been extended to new areas like the Kashmir Valley and West Bengal. Exploratory drilling in Tripura has led to the discovery of gas and its potential is being assessed by drilling and testing a few more exploratory appraisal wells.

Exploratory Wells

In Bombay High where oil was discovered last year, exploratory drilling has been stepped up. Two mobile drilling vessels charter/hired for the purpose have been deployed for this work. It is proposed to drill 20 exploratory wells in all by the end of 1976 so that the various structures in the Bombay High may be delineated accurately and their full oil potential assessed. In addition, a special project for exploration in the Deeper Continental Shelf (DCS) west of Bombay High extending up to water depths of 200 metres has been taken up. Seismic survey of the area has been completed and depending on the results of these surveys, exploratory drilling may be taken up during 1976-77.

On the basis of seismic surveys conducted by ONGC, several independent structures were delineated off the western coast. One such structure is located about 70 km. west of Bassein. The drilling on this structure was commenced on the February 11, 1976 and the well has been projected to a depth of 2300 metres. After drilling about 1714 metres, a 71 metre thick lime-stone section containing oil and gas has been encountered. The preliminary testing indicated good production characteristics. In order to get a quick idea of the potential of the Bassein structure as well as the prospects of the neighbouring area, a programme has been chalked out for commencing exploration and appraisal drilling without losing any time. The exploratory-cum-assessment drilling will be completed by October 1976.

New Areas

In the Bengal-Orissa and Kutch off-shore basins where contracts have been awarded to two foreign firms for oil explosation and production, exploratory drilling has commenced. Detailed geophysical investigations conducted last year and this year in these areas gave indication of structural possibilities. Drilling of the second exploratory well in each of these areas is now in progress. A third production sharing contract has now been awarded to a Canadian group of oil companies for exploration and production in the Cauvery off-shore basin. The contractor is expected to commence exploratory drilling operations in this area very shortly. Meanwhile, ONGC has acquired its own seismic survey vessel, "Anweshak" with the help of which the remaining areas of the Continental Shelf are being surveyed in phased manner. "Anweshak" has already surveyed portions of the Cauvery off-shore and is presently engaged in geophysical surveys of the continental shelf north of Bombay High.

The high prices of crude oil point to the need for minimising the gap between the discovery of oil and its exploration. As such pending the assessment of the full potential of the Bombay High structure, ONGC has now taken steps to commence commercial production from Bombay High towards the end of 1975-76 and progressively increase the production rate of about 2.0 million tonnes per annum by the end of 1976-77.

First Phase

First phase of the development of Bombay High consists of the fabrication and installation of one well-cum-production platform, three well platforms, one flare jacket, two single buoy mooring systems and inter-connecting submarine piplines. Eleven directional development wells will be drilled by "Sagar Samrat" and a second jack-up unit that has now been hired for this purpose. Crude oil will be shipped from a storage tanker to a coastal refinery. In this phase, associated gas is expected to be produced at the rate of 0.6 mcum per day. With a view to minimise flaring of this gas and thus avoid wastage of this valuable natural resource, plans are under way to commission a feasibility study for a moduler package for extraction of LPG, the idea being that the unit would be mounted on the well-cum-production platform. This would help save 25 per cent of the gas by weight. Studies are also under way to expedite the transport of the associated gas to an on-shore termial and to optimise the utilisation of the gas.

During the year, ONGC has intensified its oil explorations overseas. On the basis of the results of the geophysical surveys conducted in the area taken on contract with the Iraq National Oil Company (INOC), ONGC has taken up drilling of the first exploratory well. The well has been drilled so far to a depth of about 3000 metres and further drillin in progress. INOC has a ded a contract to ONGC conduct 2000 line kilomete seismic surveys in an adjacent to its service tract area. Further, ON has recently entered int drilling contract with the T zanian Petroleum Devel ment Corporation (TPDC) drill an exploratory well Songo-Songo Island in Ta nia.

There are ten refineries operation including Haldia finery, the fuel sector of wh went into commercial prod tion in January, 1975. lube sector of this refiner expected to be completed June, 1976. With the c missioning of the Haldia finery, the refining capacity the country reached the le of 27 million tonnes per annu

The approved plans for panding the refining capac in the fifth Plan include one-million tonne refinery Bongaigaon in Assam, exp sion of Koyali refinery by th million tonnes and a new gr root refinery at Mathura w capacity of six million tonn The work on these projects in progress and on their c pletion, the refining capac in the country will increase 37 million tonnes.

Refining Capacity

The ten refineries in country processed 21.8 mill tonnes of crude oil dur January-December, 1975. of this 16.7 million ton was processed in the se public sector refineries and million tonnes in the th private sector refineries.

Detailed studies made year to optimise product from refineries are being ther continued and action sued. The Oil Coordinat Committee has been entru with making continuous eff to improve refinery yield terns. Studies are also b made to evolve the most eco mic crude mix patterns match the facilities at e refinery.

Government has decla

ir intention of acquiring ctive control over the oil ustry, both in refining and rketing and in exploration l production. The first step s taken in this direction in rch 1974 when we acquired assets and operation of so in India. With the take- er of Burmah Shell, govern- ent has assumed effective ntrol of about 95 per cent of production and marketing petroleum products in the untry.

Negotiations are in progress r acquiring similar control ver Caltex, Assam Oil Com- any and Oil India Limited.

During the first half of the ar, 1975, the petrochemical dustry was still undergoing e impact of unprecedented crease in the price of essen- al raw materials. The im- ct on the industry was accen- uated by general inflation re- lting in lower market emands, for petrochemicals. he position, however, con- derably improved during the tter half of the year. The onsumers resistance for the roducts which had been in vidence earlier was gradually isappearing and the market or various petro-caprolactum, ynthetic fibres and thermo- lastic resins.

Lower Production

While in some sectors the roduction during the year emained stagnant or declined, n others there were significant ncreases. The production of enzene, methanol polysty- ene and PVC was lower than hat in 1974. The production of chemicals and synthetic rub- er based on alcohol remained almost at the same level. In- creases were recorded in the production of DMT, capro- actum, synthetic fibres and hermoplastic resins.

The Indian Petrochemicals Corporation Limited, Baroda, continued steady production of DMT which is the main raw material for polyester fibre, polyeste. filament yarn and polyester resins. The pro- duction of DMT during the ar was 15.352 tonnes. The production of orthoxylene had to be kept low due to its poor off-take.

The excise duty on DMT which was levied in August, 1974 was withdrawn.

The prices of petrochemicals during the year have been essentially steady. Prices of some thermo-plastics fell while the prices of polyester staple fibre registered an increase. The price of caprolactum was brought down at the instance of this ministry.

The Gujarat State Fertilizer Company produced 13,832 tonnes in 1975, of captrolactum which is the main raw material for the nylon industry.

Additional Capacity

During the year additional capacities for the manufacture of phenol (35,000 tonnes/annum), vinyl acetate monomer (32,000 tonnes/annum), chloromethanes (6,000 tonnes/annum), beta naphthol (5,120 tonnes/annum), acrylates (2,000 tonnes/annum), BON acid (1,400 tonnes/annum), dimethyl aniline (2400 tonnes/annum), oxoalcohols (10,000 tonnes/annum), and nitrile rubber (1500 tonnes / annum), V. P. Latex (1050 tonnes/annum) were sanctioned.

The Indian Petrochemicals Corporation Limited was incorporated on March 22, 1969, to develop petrochemicals projects based on feedstock available from refineries.

The company is at present engaged in implementing the first petrochemicals complex in the public sector, near Baroda. The complex consists of the followig projects :

(a) Aromatics Project.
(b) Olefins Project.
  1. Naphtha Cracker Unit.
  2. Pyrolysis Gasoline Hydrogenation Unit.
  3. Benzene Extraction Unit.
  4. Butadiene Extraction Unit.
(c) Downstream Units of the Olefins Project:
  1. Low Density Polyethylene.
  2. Polypropylene.
  3. Ethylene Glycol.
  4. Polybutadiene Rubber.
  5. Acrylonitrile.
  6. Acrylic Fibre.
(d) Detergent Alkylates.

The utilities and offsite facilities for the down-stream units have been integrated.

Research and develpment with accent on application development, plant operation improvement and copolymer development has also been instituted

The different units in the Aromatics Project went into production during 1973-74. During the year, the production of various items was as under :

The Olefins project consists of a naphtha cracker (with an estimated annual throughput of 450,000 tonnes of naphtha) and associated units for the extraction of benzene and butadiene and hydrogenation of pyrolysis gasoline. All these units will result in the ultimate annual production capacity of :

	Tonnes
Ethylene	130,000
Propylene (polymer grade)	33,000
Propylene (chemical grade)	33,230
Butadiene	18,100
Benzene	24,000
Light pyrolysis gasoline	29,300
Heavy pyrolysis gasoline	34,600
Raffinate	8,200
Carbon Black feedstock	17,900

In order to utilise the various gaseous streams and other liquid products availab from the Olefins proje government have approved t setting up of the followi downstream units in the Gujar complex to be implemented Indian Petrochemicals Corp ration Limited.

Low Density Polyethyle project envisages the esta lishment of a plant f the manufacture of 80,000 to nes per annum of th product. The foreign co laborators for this project a M/s. Aquitaine Total Organ (ATO) and M/s. Compagn Francaise d' Etudes et d Construction Techni (TECHNIP) France.

Polypropylene project en visages the establishme of a plant for the manu facture of 30,000 to nes per annum of Poly propylene resins. The foreig collaborators for this projec are : M/s, Montediso (Techimont), Italy.

Ethylene Glycol projec envisages the establishmen of a plant for the manu facture of 20,000 tonne per annum of Ethylene Glycol 2,400 tonnes per annum o Polythethylene Glycol an 5,000 tonnes per annum o purified Ethylene Oxide. Th foreign collaborators for thi project are: M/s. Halcon Inter national Inc., USA.

Polybutadiene Rubber pro ject envisages the establis ment of a plant for th manufacture of 20,000 to nes per annum of high-ci Polybutadiene rubber. Th foreign collaborators for thi project are : M/s. Polysar Inter national, Switzerland and M/s Polymer Corporation, Canada

Acrylonitrile project envis ages the establishment of plant for the manufactur

Product	Production during 1974 (MT)	Production during 1975 (MT)
Di-Methyl Terephthalate (DMT)	12,745	15,553
Orthoxylene	11,749	3,933
Mixed-xylene	2,154	3,962
Para-xylene	—	9,919

24,000 tonnes per anum
Acrylonitrile. The foreign
llaborators for this project
e : M/s. Prospect Inter-
tioal CA, Venezuela and
/s Badger BV, Netherlands.

Acrylic Fibre project envis-
es the establishment of
plant for the manufacture
12,000 tonnes per annum
Acrylic fibre. The foreign
llaborators for this project
e : M/s. Asahi Chemical
dustry Co Ltd, M/s. Kobe
teel Ltd, and M/s. C. Itoh
ll of Japan).

Detergent Alkylate project
nvisages the establishment
f a plant for the manu-
cture of 30,000 tonnes per
nnum of Detergent Alkylates.
he foreign collaborators for
is project are M/s. Uni-
ersal Oil Products Com-
any, USA.

The Olefins Project and its
downstream units are at an advanced stage of construction. The presently assessed mechanical completion schedules for these projects are as under :

Name of the project	Expected date of mechanical completion
Olefins Project	December, 1976
Low Density Polyethylene Project	December, 1976
Ethylene Glycol Project	January, 1977
Polypropylene Project	January, 1977
Acrylonitrile Project	April, 1977
Acrylic Fibre Project	April, 1977
Polybutadiene Rubber Project	January, 1977
Detergent Alkylate Project	February, 1977

The revised project cost estimates are presently under examination.

A one million tonnes refinery and a petrochemical complex is under construction at Bongaigaon in Assam. Its implementation is now with a separate company, Bongaigaon Refinery and Petrochemicals Ltd, since February, 1974.

The refinery will comprise a crude distillation unit, a kerosene treating unit and a coker and coke colcination unit. The petrochemicals part will comprise a xylenes complex, a DMT unit, a polyester fibre unit and a polyester film unit.

The refinery is expected to be commissioned in 1977-78 and the petrochemicals part thereafter.

A project for the manufacture of polyester filament yarn at Baroda with a capacity of 3,500 tonnes/annum (to be
increased to 7,000 to
annum in the second ph
is under implementation
Baroda by Petrofils Coo
tive Ltd—a multi-unit
operative society registere
September, 1974. This
joint venture in which gov
ment and the cooperative
tor would participate in
equity capital in the rati
60 : 40. This would be the
gest polyester filament un
the country. The plant will
two major units—the p
condensation unit where D
is converted into polyester c
and the spinning unit w
these chips are melt spun
filament yarn. The spinn
section is due for mechan
completion in December, 1
and is expected to comme
commercial production
early 1977. The polyconde
tion unit is expected to
mechanically completed by
second quarter of 19
The revised project cost e
mates are Rs 24.76 cro

Installed Capacity and Production During 1974 and 1975

Sl. No.	Name of Industry/Item	Unit	1974 No. of units	1974 Installed capacity	1974 Production	1975 No. of units	1975 Installed capacity	1975 Productio
	(A) PETROCHEMICALS							
	1. Organic Heavy Chemicals							
1.	Acetone	Tonnes	3	21644L	17945	3	21644L	15515
2.	Benzene	,,	10	94000	70539	10	94000	73303
3.	Butadiene	,,	1	7200	4765	1	7200	5464
4.	Butyl Acetate	,,	4	7230	3817	4	7230	3560
5.	Butyl Alcohol	,,	4	16250	4646	4	16250	5453
6.	Diacetone Alcohol	,,	2	5800	3129	1	5800	2336
7.	Diethylene Glycol	,,	1	600	671	1	600	732
8.	Dichloro Ethane	,,	1	50000	37510	1	50000	29361
9.	Dripolene A & B	,,	1	5000	2992	1	5000	3615
10.	Ethylene	,,	1	75000	73103	2	75000	66326
11.	Ethylene Oxide	,,	1	12000	10597	1	12000	10340
12.	Monoethylene Glycol	,,	1	10000	7481	1	10000	7719
13.	a-Ethyle Hexanol	,,	2	9600	6638	1	9600	7822
14.	Methanol	,,	1	37500	28650	1	37500	27031
15.	Methyl Isobutyl Ketone	,,	1	3700	1289	1	3700	866
16.	Isopropanol	,,	1	1500L	1512	1	1500L	1352
17.	Phenol	,,	2	16000	11531	2	16000	8606
18.	Phthalic Anhydride	,,	3	15300	8486	3	15300	5653
19.	Polyethylene Glycol	,,	1	1000	713	1	1000	860

(contd.)

Installed Capacity and Production During 1974 and 1975—(*Contd.*)

Sl. No.	Name of Iddustry/Item	Unit	1974			1975		
			No. of unit	Installed capacity	Production	No. of unit	Installed capacity	Productic
20.	Propylene	Tonnes	2	42000	37245	2	42000	3330
21.	Styrene	,,	2	24000	11947	2	24000	1067
22.	Toluene	,,	9	25755	15509	9	24575	1397
23.	D.M.T.	,,	1	24000	12745	1	24000	1555
24.	Ortho-xylene	,,	1	21000	11749	1	21000	393
25.	Para-xylene	,,	1	17000	7720	1	17000	191
26.	Mixed xylene	,,	1	2500	2159	1	2500	396
27.	Vinyl Chloride	,,	1	30000	18340	1	30000	1607
23.	Caprolactum	,,	1	20000	2316	1	20000	1383
	2. Synthetic Fibres							
1.	Nylon Staple Fibre	,,	1	900	6	1	900	17
2.	Nylon Filament Yarn	,,	8	15736	10153	8	15736	1358
3.	Nylon Idl. Yarn (Tyrecord)	,,	2	3790	1693	3	5790	381
4.	Polyester Fi. Yarn	,,	4	1806	1238	5	2166	223
5.	Polyester Staple Fibre	,,	5	25300	7923	5	25300	1431
	3. Synthetic Rubber							
1.	Synthetic Rubber	,,	1	30000	17918	1	30000	2295
	4. Plastics (Raw Materials)							
I.	**Thermoseis**							
1.	M. F. Moulding Powder	,,	3	1490L	102	3	1490L	11
2.	P. F. Moulding Powder	,,	3	6200L	4506	3	6200	379
3.	U.F. Moulding Powder	,,	4	5150	1646	4	5150L	176
4.	C.A. Moulding Powder	,,	2	7200	1366	1	7200	100
II.	**Thermoplastics**							
1.	Polyethylene L.D.	,,	2	25000	26546	2	25000	2873
2.	Polyethylene H.D.	,,	1	20000	24616	1	20000	2101
3.	Polyestyrene	,,	2	17500	9848	2	17500	909
4.	P.V.C. Resin	,,	5	65700	47432	5	64700	4288
	(B) DYES							
1.	**Azo Dyes**							
	(*i*) Acid Azo	,,	5		602	5		51
	(*ii*) Direct Azo	,,	8	3431	2039	8	3431	151
	(*iii*) Mordant Dyes	,,	4		39	4		4
2.	Basic Dyes	,,	6	987	716	7	1037	51
3.	Disperse Dyes	,,	7	505	258	7	515	28
4.	Fast Colour Bases	,,	5	1364	957	6	1364	115
5.	Food Colours	,,	3	109	51	3	109	3
6.	Ingrain Dyes	,,	4	295	82	5	315	84
7.	Naphthels	,,	4	1235	1229	4	1285	136
8.	Oil Soluble Colours	,,	3	176	47	3	176	4
9.	Optical Whitening Agents	,,	6	950	625	6	1230	58
10.	Organic Pigment Colours	,,	8	2403	1714	8	2403	141
11.	Pigment Emulsions	,,	5	2300	2198	5	2300	231
12.	Reactive Dyes	,,	7	1200	1203	7	1250	132
13.	Stabilised Azoics	,,	2	685	94	2	685	13
14.	Sulphur Dyes (Including Black)	,,	3	2502	560	3	2502	94
15.	Vat Dyes	,,	5	1509	1171	1	1509	114
16.	Solubilised Vat	,,	4	370	127	4	370	14

L. Licensed Capacity. * Provisionall.
Note:—Data on installed capacity as reported by DGTD.

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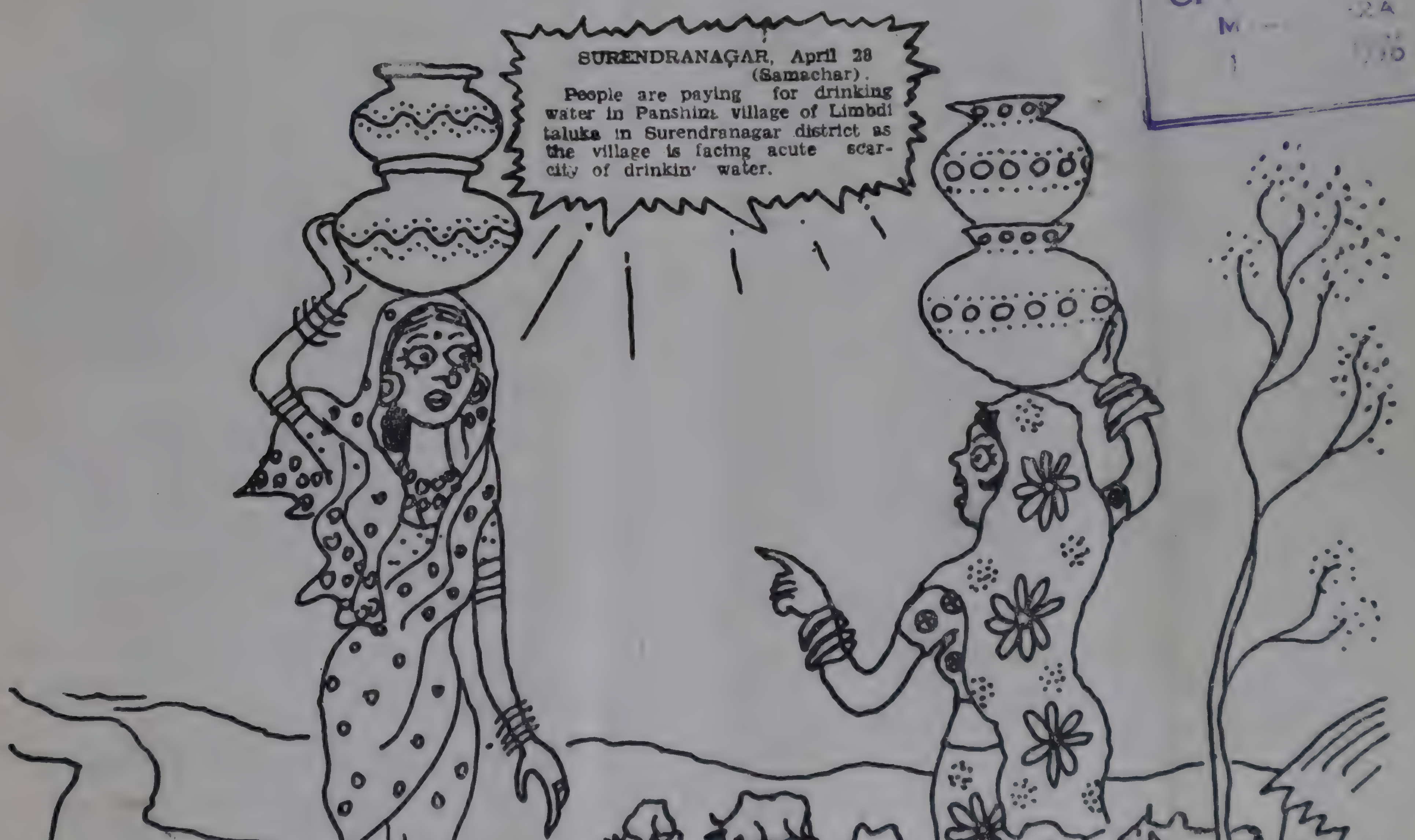

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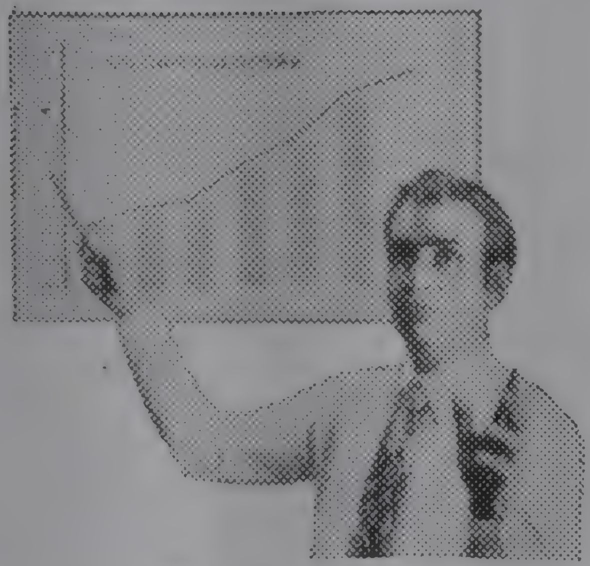

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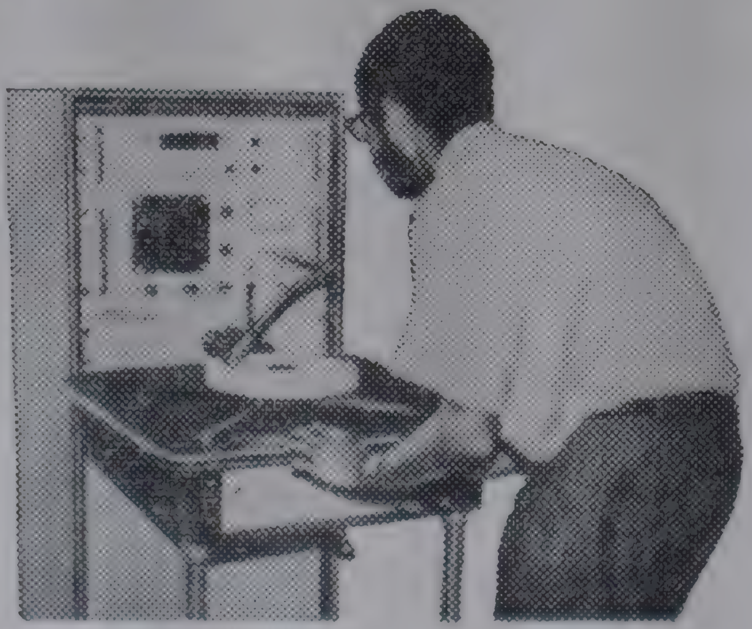

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VOL. 66 NO. 19 MAY 7, 1976

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Leading Articles

Identity of Views 1003
Sugar Policy Needs Change 1004
Will Jute Council Deliver the Goods? 1006
The Talcher Giant 1007

Capital's Corridors 1010

Point of View

Anaemic Economy Needs a Tonic—K. K. Birla 1013
The Rupee After Delinking —M.M. Kothari 1015
Self-Financing in Public Enterprises—Dr. R.K. Mishra 1017

Window on the World

"The Road to Serfdom" — Jossleyn Hennessy 1020
The Uncertain Upswing —E.B. Brook 1023

Trade Winds

Dry Batteries; Indo-Rumanian Trade; Fertiliser Prices Reduced; Namrup Expansion; Indo-Tanzania Agreement; Unauthorised Mining Banned; Railway Construction Company; Madhya Pradesh Abolishes Octroi; Changes in IMF Rules; Joint Ventures; Rural Development; Satellite Tracking Station; New Mineral Reserves; Electro-Chemical Research Centre; IDPL; In Brief; Names in the News 1025-1028

Company Affairs

Nirlon Synthetic; Union Bank of India; Sandvik Asia; IFFCO; Kores; Sandoz; Larsen and Toubro; Tata Chemicals; Rajasthan Chemical Corpn; IFCI; Unit Trust; MAMC; News and Notes; New Issues; Dividends 1029-1032

Company Meeting

EID—Parry Limited. 1033

Records and Statistics

Supreme Court's Judgement on MISA During the Emergency 1037
Consumption Loan for Landless & Small Farmers 1041
FICCI Resolutions 1045

Identity of views

THE DIALOGUE between the captains of industry and the representatives of government at the 49th annnal session of the Federation of Indian Chamber of Commerce and Industry (FICCI) clearly brought out not only the broad identity of views on various subjects but also the determination to march forward in complete harmony in the larger interests of the nation. The President, Mr Fakhruddin Ali Ahmed, who inaugurated the session on May 1, 1976, in the over-crowded hall of Vigyan Bhavan, reminded the businessmen that the progress of the nation was not the responsibility of the government alone and that all sections of society, whether industry, trade, worker or farmer had to carry on their tasks with devotion and discretion, He however conceded the point that government policies were required to create the right environment in which national work was carried out to secure the well-being of all citizens, more particularly the less privileged.

Earlier, while welcoming the President, Mr Harish Mahindra, President of the FICCI, had unequivocally acknowledged the fact that it was not government alone that had to attune policy to development. Industry too, he added, had to reorient its attitudes and adopt new techniques. He listed no less than six points through which industry could play a more useful role in furthering the process of industrialisation.

First, Mr Mahindra wanted the entrepreneurs to endeavour to raise larger finance from the public by marketing shares, particularly in rural areas. The President, Mr Fakhruddin Ali Ahmed, had endorsed this viewpoint and had urged the industry "to make a sincere effort to raise resources on its own". Mobilisation of savings equal to one per cent of the national income, in his opinion, would provide finance to industry equal to nearly Rs 600 crores which would help to make the process of industrial development self-reliant.

Second, Mr Mahindra urged the industry to give utmost attention to improvement in quality, reduction in costs and efficiency in distribution. The President, Mr F.A. Ahmed, while commending the evolution of techniques and know-how suited to the stage of development which we have achieved, suggested the adoption of such development processes as would ensure "maximum efficiency, minimum costs and fair distribution."

Third, Mr Mahindra asked the fellow industrialists to undertake research for Indianising technology and adopting anti-pollution measures. Surely, the private sector units, barring a few enlightened business houses, had tended to neglect this important aspect. However, the FICCI awards for outstanding research in different fields had tended to enthuse the researchers in both the public and private sectors and the President, Mr F.A. Ahmed, congratulated the Federation for rewarding those who had attained distinction in this area.

The other three points made by Mr Mahindra related to the setting up of consultancy services, the provision of liberal assistance by large units to small units so as to make the latter "technically efficient and financially viable" and the giving of full support by trade to its constituents. Surely, there could be no disagreement between industry and government on all of these, signifying remarkable sameness in approach.

The President, Mr F.A. Ahmed, felt that the FICCI could be rightly prou of its achievements and that, its Golden Jubilee Year, was the time for introspection and planning "a more purposive role in the socio-economic programme that are being framed by the government." A Golden Jubilee Organisatio

Committee has already been formed under the chairmanship of Mr B.M. Birla. It is now for this committee to chalk out a programme which may not only highlight the role that the Federation has played in industrialising the country but should also indicate the lines on which it will work in the concluding years of this century.

perspective plan

Mr Mahindra in his address made a reference to a ten-year prespective plan listing substantial expansion in the production of steel, cement and power. Some of the targets indicated did appear ambitious but it would be worthwhile for the Golden Jubilee Committee to pool together its resources and even induct some from the universities and the research institutions and prepare the blue-print of an Economic Plan which should spell out the shape of things to come in this country by the end of the current century. Cowed down by the failures of recent years, the Planning Commission had turned timid in outlook. Let the Federation indicate if the country could raise its per capita gross national product to at least US $1,000 by the year 2000 AD as against the current level of US $120.

While Mr Mahindra's address was marked by a spirit of cooperation and friendliness, it did exhibit some uneasiness regarding the under-utilisation of capacity in industry due to the recessionary tendencies in some sections of industry. In Mr Mahindra's words, "recession implies waste of capital, and more importantly waste of human resources". There could be no two opinions on the wasteful character of recession which, in Mr Mahindra's view, had made idle capital equipment valued at Rs 6,000 crores. It did not hurt industry and the shareholder alone; it also adversely affected the tax revenue of the government which in turn subdued the development plans of the government.

What was the way to bring the recession to an end ? Mr Mahindra suggested the use of money and credit "to irrigate economic activity". And for this, he suggested an increase of Rs 1,600 crores of bank credit to industry and trade. He felt that the supply of this much credit would bring about the desired impact on the health of industry. The President, Mr F.A. Ahmed, refused to buy this prescription. He made a reference to the bitter experience of a high-speed inflation in 1972-73 and felt that it would be too dangerous to allow the inflationary forces to regain strength once again. Thus, the government's case was that it would inject only as much money in the system as would not allow the demon of inflation to raise its head again.

It seemed that Mr Mahindra had perhaps overshot the mark. Granted that during the past one year prices had tended to fall despite the increase in money supply with the public and that the usual money-price relationship had not prevailed, could a sum of Rs 1,600 crores be injected into the system at this time without hurting the price level ? And in the same breath, he advocated the cheapening of credit by reducing the interest rate to 11 or 12 per cent. Both of the suggestions may be technically feasible but there was certainly some doubt about their being financially possible.

But to say this is not to deny the fact that the deepening gloom in industry needs to be removed by slowly increasing the doses of credit, step by step. By a process of trial and error, the incremental credit over the next half year may be around Rs 600-800 crores. Only after it is proved that the resulting increase in production has nullified the inflationary impact of this rise in money supply, that the process of inducting additional credit should be continued.

While supporting the resolution on fiscal and monetary policies, Mr K.K Birla (see page 1013) drew a graphic picture of the anaemic state of the economy which in his view needed a good tonic. He also said that flow of money was vital for rapid industrialisation—no one would disagree with him on this—and he also, like Mr Mahindra, suggested an increase in credit, though neither he nor the resolution set any limits to it. Liberalisation of credit policy undoubtedly was the key to the revival in demand but without sacricing the gains which the economy has made on the price front.

Sugar policy needs change

EVEN WITH adequate supplies of cane, the sugar industry will be achieving a production of only 4.250 million tonnes in 1975-76 crushing season as compared with the all-time record of 4.794 million tonnes established in 1974-75. The country can ill-afford this drop in output as exports can be raised to even 1.5 million tonnes in 1976-77 (financial year). In 1975-76, actual exports were around 1.3 million tonnes having a value of Rs 450 crores. In 1974-75, exports were a little over 800,000 tonnes valued at Rs 339 crores. Because of the failure of sugar mills to repeat the performance of the last season, the carry-over of 1.221 million tonnes from the last season will have to be eaten into for sustaining internal consumption of 3.550 million tonnes and exports of 1.3 million tonnes.

The carry-over at the end of September this year may not thus be more than 600,000 tonnes, which is a dangerously low level. With the monthly off-take around 400,000 tonnes, including exports, and a low level of production in October and November, acute scarcity may be experienced in the next crushing season if immediate steps are not taken to raise output to over 5.0 million tonnes or even 5.2 million tonnes. On account of an increase in the incomes of the agricultural sector d the scope for maintaining exports ound the present levels there will ve to be a minimum output of 5.0 illion tonnes in 1976-77 if the export fort is not to be thwarted or internal onsumption restricted.

The scope for maintaining exports round 1.5 million tonnes annually in he forseeable future has made it imperative that the output cannot decline o below 5.0 million tonnes at any stage. With internal consumption ikely to increase at the rate of 400,000 tonnes yearly, if a five per cent growth in national income is sustained, the target for production by 1980-81 will have to be at least 6.5 million tonnes.

new trend

The importance of establishing a new trend in production, after the spectacular performance in 1975-76 has not been realised and the tinkering with policies pertaining to the fixation of levy prices for sugar and the payment of remunerative prices to cane-growers in the last season has been mainly responsible for the setback sutained in 1975-76. The Tariff Commission's formula for determining levy sugar prices on a statewise basis has not been fully adopted and the Bhargava Commission s recommendation for equal sharing of profits realised on sales of free sugar between sugar mills and cane growers, has also not been properly implemented. Even when the equal sharing principle was accepted the share of the growers was larger than 50 per cent as levy sugar prices were lower than the realistic level on the basis of minimum price for cane, reasonable conversion charges and a minimum return on employed capital.

An unusual procedure was adopted in July last year when an entirely new concept was introduced for fixing levy prices. The government assumed a fixed cane price for each region on the basis of ad hoc payments by sugar mills and it was also assumed that an average price would be realised for free sale sugar. The levy prices were then adjusted on the assumption that reasonable profits will be available if the assumed average price for free sale sugar is realised. As no adequate allowance was made for conversion charges and return on capital (after taking into account the interest burden), and as open market prices realised were less than the assumed average, sugar mills in many regions have suffered a severe setback.

The anticipated decline in sugar output in the current season to 4.250 million tonnes from 4.795 million tonnes in 1974-75 is mainly on account of Uttar Pradesh and Bihar in north India and Tamil Nadu in the southern region. The output of UP and Bihar will be declining by 309,000 tonnes to 1.334 million tonnes and that of Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu by 237,000 tonnes to 2.399 million tonnes. Other states will be making the same record contribution, the estimate of production for 1975-76 being 513,000 tonnes against 515,000 tonnes in the previous season. Uttar Pradesh and Bihar have not fared well even with adequate supplies of cane (particularly in western and central regions of UP) and the grant of fairly high levy prices.

large diversion

The absence of excise duty rebate for early and late season crushing and severe competition from the manufacturers of khandsari and gur have resulted in a large diversion of cane from factory areas. Even after the downward revision in levy prices, south Bihar will still be getting Rs 286.62 per quintal and yet its output is expected to be lower at 4000 tonnes. North Bihar has a levy price of Rs 240.67 per quintal and an output of 170,000 tonnes. Central UP has a levy price of Rs 176.03 per quintal and its output will be dropping to 450,000 tonnes from 607,000 tonnes. Only Maharashtra in the tropical states will be achieving a higher output of 1.6 million tonnes against 1.519 million tonnes, even with a levy price of Rs 142.96 per quintal against Rs 156.99 per quintal for 1974-75. This rate was however not fully applicable for that season, as there was a short downward revision in the price in July last. Karnataka and Andhra Pradesh however are suffering from competition from khandsari and gur producers and it has not also been considered profitable to prolong the crushing season in the absence of excise duty rebate. Tamil Nadu could not have in any case fared well as there had been a large diversion of area under cane for cultivation of rice. Also due to the prevalence of drought conditions some acreage formerly under cane had to be switched over to other crops requiring less water. The output of Tamil Nadu will thus be only 174,000 tonnes against 384,000 tonnes in 1974-75 and 443,000 tonnes in 1973-74. The poor performance of sugar mills in Tamil Nadu was also on account of lower recovery and competition from gur producers.

rebound expected

It can certainly be expected that there will be rebound in production in Tamil Nadu with the cultivation of cane in a larger area. Maharashtra cannot probably be expected to maintain the recent improvement in performance as additional production can be achieved only with a prolongation of the crushing season. Under optimum conditions, the four states of Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra can easily account for 3.2 million tonnes. UP on its part can repeat the performance of 1969-70 when it established a peak output of 1.624 million tonnes. Bihar cannot achieve more than a marginal increase in output, while other states can be expected to contribute their 600,000 tonnes. There is, thus, scope for raising production to even 5.6 million tonnes under favourable conditions.

Even assuming that the area under cane in Tamil Nadu will not increase to the previous levels in 1976-

77 and only in 1977-78 normalcy will be restored with the prevalence of reasonable prices for rice, it should be possible to achieve an output of 5.4 million tonnes in the next season. Only if this level can be attained internal consumption can be allowed to rise to 3.8 million tonnes and exports of 1.4 million tonnes achieved. The carry-over can then increase to 800,000 tonnes or at least prevented from being reduced if for any reason the output of sugar is not more than 5.2 million tonnes.

The policy in regard to the fixation of minimum price for cane and the administration of partial control have to be properly streamlined apart from careful examination of incidence of differential excise duties. In the altered circumstances, the desired incentives should be provided for Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu as they are now accounting for over 55 per cent of total production with the share of Bihar and UP being less than 35 per cent. A refashioning of the policy relating to pricing of cane and levy sugar and duties on levy sugar, re-sale sugar and khandsari has become imperative and early decision should be taken in order to eliminate many uncertainties that now exist. It will ensure a defined rate of growth in sugar production. It will also be highly helpful if the new decisions are announced in the next few weeks.

Will Jute Council deliver the goods?

INAUGURATING THE Jute Manufactures Development Council in Calcutta on April 18, Prof. D.P. Chattopadhyaya, the union minister of Commerce, expressed surprise at the fact that the Council was not thought of earlier even though the industry was a premier export earner and had a crucial role to play in the economy of the eastern region. The minister seemed to suggest that the government had no responsibility for the delay in setting up the Council. However, he heartily welcomed its formation on the principle "better late than never". But what are the prospects for the effective functioning of the Council ? How soon will it be able to achieve at least some of its major objectives ?

Mr J.P. Goenka's presidential address at the inaugural function gave the impression that though the Council had been entrusted with responsibilities over a wide field it was unlikely to be able to deal with them effectively due to the paucity of funds. He referred to the "very inadequate financial resources" that would be available to the Council. He said that the net amount that could be collected from the cess at the present rate would be hardly sufficient to maintain the existing level of activity of the Indian Jute Industries' Research Association. He suggested that the possibility of collecting the cess through self-assessment by the industry as in the case of excise duty realisation should be examined since this procedure would save the payment of collection charges of Rs 8 lakhs to the government. The union ministry of Finance should agree to this arrangement so that it could help to augment the availability of funds with the Council for promoting research and other activities.

Mr Goenka also proposed that the jute industry should consider the possibility of increasing the cess when its viability improved and that, in the meantime, the Council of Scientific and Industrial Research should continue its matching grant, taking the cess as industry's contribution. But the prospects of the industry achieving viabilty seem to be rather remote. As Mr Goenka said, "The greatest threat to the existence o the jute industry today is the lack of i viability. The losses suffered i manufacturing and marketing th products at the current levels of cos and sale prices are eating into the ver vitals of the industry. Revival ca only come if the industry is financiall capable of undertaking developmen projects. The responsibility for the present state of the industry should be shared both by the government and the industry. Whenever we have introduced fiscal reliefs this has always been done too late. The industry also has not taken advantage of periods of prosperity to modernise its equipment and reduce costs".

reduction of costs

Prof Chattopadhyaya rightly emphasised the need for the industry to reduce its costs. He explained how this was to be achieved. "Reduction of cost of manufacture", he said, "need not necessarily mean a reduction in the prices being paid to the various inputs like raw material and labour. Reduction in cost will have to be brought about, more effectively, by increasing productivity. Reduction in wastage, for example, will lead to savings in raw material consumption and measures for increasing the productivity of labour will bring down the proportion of wage cost to the total cost of manufacture". Mr Goenka also referred to the importance of cost reduction but he pointed out that in this process both the government of India and the state governments concerned should also play their part. He regretted that the yield per acre of jute had not registered any significant breakthrough in the last 20 years. He said that "more dynamic action is required on the part of the state governments and the concerned agencies of the central government".

The union Commerce ministry should take a keen interest in this aspect and persuade or pressurise the state governments to give greater attention to increase the yields of raw jute and prove its quality. The government India should also provide bstantial financial assistance to the dustry to expedite its modernisation hemes. Equally important it is for e industry to secure the active ooperation of labour in implementing he rationalisation programme. Prof hattopadhyaya did not refer to this spect. How far will his ministry be ble to help the industry to rationalise its labour complement and fix the work-load at realistic levels ? Will the government of West Bengal be prepared to offer its full cooperation to the industry in improving the productivity of labour ?

state trading

Prof. Chattopadhyaya revealed that the union government had asked the State Trading Corporation to enter the jute goods export trade. But why did he not mention this proposal in his prepared speech ? Was it because the government had not taken a final decision at the time when the speech was under preparation ? It seems doubtful whether the Commerce ministry has evolved clear and definite ideas as to the items that the STC should handle and the markets on which it should concentrate. The minister referred to the "very stiff competition" that the industry was facing from synthetics and the need for "aggressive salesmanship". Caution therefore is necessary in order to ensure that the STC's entry does not dislocate the trade channels or create uncertainty among exporters in India as well as importers in foreign countries. In any case, why was the Commerce ministry in a hurry to take a decision about the entry of the STC into the jute goods export trade? Should not the ministry have referred this question to the Development Council and sought its views ?

Mr Goenka said that the Development Council would deal with all aspects of research, development, training, export promotion, standardisation, cost control, quality control, productivity and product diversification. Prof. Chattopadhyaya said that it would be "unwise" on the part of the Council to attempt to give attention to all these functions. He suggested that the Council should concentrate on those functions "which are of immediate importance, thereby seeking to make an impact which would be of benefit both to the industry and the nation". But the Commerce ministry could have laid down some broad guidelines to the Council regarding the order of priority in which it should take up problems. Neither Prof. Chattopadhyaya nor Mr Goenka said anything about the Development Council maintaining liaison with the jute industry in Bangladesh. As Dacca is also concerned with the threat from synthetics, it will be to the advantage of both countries if they cooperate with each other in undertaking programmmes of research.

The Talcher giant

ENERGETIC EFFORTS by a management to bring on stream a giant industrial project without much overshooting the scheduled time of commissioning depends to no small extent on close cooperation from all concerned, particularly from the major suppliers of equipment; more so if the project is located in a backward area lacking in adequate infrastructure facilities, which in itself is no small hinderance to the completion of a project according to a tight time-table. It, therefore, is not at all surprising that the commissioning of the Fertilizer Corporation of India's Talcher project, which has already overshot the original three-year schedule ending in June, 1975, is likely to be delayed by at least six months from even the revised deadline of completing it by the middle of the current calendar year. On current assessment, the first of the two streams of the project is expected to be ready for integrated trials only by December next. The start of commercial production from this stream may take another six months by which time, it is hoped, the second stream also would be ready for trial runs.

The delay from the revised schedule of completion is said to have been caused by two main factors. First, on advice from the West German collaborators, Messra Krupp-Koppers, the design of the coal gasifiers—unlike the Sindri project which in the early 1950's produced fertilizers from coke, the Talcher unit is based on the coal gasification process—had to be modified in the light of the experience of a similar plant in Johnesberg, South Africa, which pioneered the commercial exploitation of the new technique of coal gasification.

The modification, of course, is stated to have been carried out quite expeditiously. The current delay is attributed primarily to the lack of adherence by the indigenous suppliers of some critical equipment to the new supply schedule given to them. The prospect of completing the project's first stream by the end of December, in fact, depends on the delivery of the above critical equipment in the next three months. If the supplies are delayed further, the upsetting of the December-end completion schedule too is not ruled out. The imported equipment is more or less all on the site; most of it has also been erected.

With a view to cutting short further delay in commissioning the project, it, of course, is heartening to note that sectoral testing of the equipment already installed has been taken up. Among the units already completed are included the nitrogen compressor complex, the coal preparation unit, water treatment plant, main power receiving station, demineralised water plant and one service boiler. While the latter four have already been tested individually to the extent possible, the former two are undergoing trial runs. The trial runs of the nitrogen compressor started about a fortnight ago during the visit to the project of a press party from Delhi of which this writer was a member. The civil works of the project had been almost complete by then. The mechanical equipment work had been completed to the extent of 81 per cent, the piping work to the order of 87 per cent and electrical work to the extent of about 93 per cent. A better idea of the progress of construction can be had from the fact that even the instrumentation work had been completed to nearly 78 per cent. Insulation work was taken up in March last. It is progressing well.

capital cost

As could be expected, the delay in completion has had its impact on the capital cost of the project. Originally estimated to cost Rs 94.6 crores with a foreign exchange content of Rs 33.5 crores, the scheme would have cost approximately Rs 149.6 crores with a foreign exchange compenent of Rs 43.3 crores had it been completed by June last year. The major factor responsible for this escalation in cost was the inflationary tendencies in the economy which not only pushed up the prices of indigenous materials and equipment but also labour and other costs. On expectations that the project would be completed by December next, it is now estimated to cost Rs 162 crores, out of which the foreign exchange expenditure would come to about Rs 45.5 croses. This cost, however, includes an expenditure of Rs 6 crores for putting up a fourth, standby gasifier and another Rs 2 crores on the setting up of the argon recovery plant. The expenditure of the fourth gasifier was not included either in the original or the last June-end completion schedule estimate, but that on the argon recovery unit was included in the latter estimate, though not in the original one.

Another fact that is said to have pushed up both the last year's and the current estimates is that contrary to the original arrangement of the state government meeting the raw water requirements of the project on unit payment charges, the project authorities have been obliged to spend nearly Rs 2.5 crores on ensuring these supplies on their own through constructing a pump house at the nearby Bramhani river. A small part of this expenditure, of course, is likely to be reimbured by the state government if water supplies are shared by the industrial estate being established in the neighbourhood of the project. Since the arrangements for water supply have been made by project's management, it has asked for, quite legitmately, exemption from the proposed levy of water cess by the state government.

The escalation in cost is bound to affect the economics of the project. Its break-even point is stated to have already shifted from the original 52 per cent capacity utilisation to nearly 60 per cent. On current estimates, the project is expected to yield 17.71 per cent return on equity while running on 90 per cent capacity utilisation. Th pay-back period is now assessed a seven years. Had the break-even poin remained around 52 per cent, both th return on equity and the pay-bac period would have been significantl better.

In retrospect, however, the decision t go in for coal-based fertilizer plants ha not been injudicious though when the decision was taken in the late 1960s, several misgivings were entertained about the feasibility of such projects due to their high capital costs. The hike in crude oil prices in 1973 and the escalation in the costs of setting up new fertilizer plants based even on petroleum feedstock in the last two years have almost wiped out the investment disadvantage of both the Talcher project and its twin at Ramagundam, in Andhra Pradesh, vis-a-vis the new petroleum-based units. The current estimates of their capital costs around Rs 162 crores compare with Rs 150-155 crores needed for putting up a new naphtha-based plant of similar capacity and Rs 180-185 crores for a fuel oil-based units. The Talcher project's production cost at the current coal price is now estimated around Rs 903 per tonne, compared to Rs 912

Eastern Economist 30 Years Ago

MAY 10, 1946

Nearly there quarters of the year have gone by since the end of the war and the movement of goods and services across political frontiers and across the oceans has not yet become as free as might have been wished for. The demand has changed from war to peace materials. Reconversion has therefore to be got on a large scale before any trade in the peace time goods can be resumed in any considerable volume. The war has left a legacy of scarcities of several commodities especially those generally in common and widespread demand and use, thus necessitating continuance of controls. But the general tendency is one of increased relaxations. About the end of the last year the combined Raw Material Board and the Combined Production and Resources Board have been discontinued. A limited number of industrial material and products that are still in short supply have compelled joint international control. Thus five special international commodity committees are controlling some industrial materials still in short supply. They are Rubber, Tin, Hides, Skins and Leather, Textiles and Coal. The Combined Food Board is scheduled to be liquidated next year. The question naturally arises as to how long the present situation of a sellers' market will continue and when change over to a condition where real efforts will again be needed to maintain sales, and where considerations of price, quality, style and selling terms will again become significant.

per tonne of a new naphtha-based project and Rs 1,042 per tonne of a new fuel oil-based plant.

The profitability of the Talcher project, thus, is no longer in doubt. With the Marathe Committee currently going into the cost of production of the various fertilizer manufacturing units in the country with a view to suggesting retention prices for every unit, this issue should even otherwise get resolved satisfactorily. The report of this committee is expected to be available in none-too-distant a future.

advance action taken

Apart from the efforts being made by the management at completing the scheme as expeditiously as possible in the face of equipment supply constraints—for all this, the management deserves credit—it is encouraging to note that a good deal of advance action has also been taken by it to train the personnel who are going to run the project. A wide variety of training programmes have been instituted for the personnel at all levels; a very significant number of personnel has already been imparted the necessary training. This should stand in good stead in containing the gestation period. But much depends on how well the coal gasification sector of the plant behaves. Direct inplant training facilities for the persons who will be managing this sector could not be arranged, for the only plant in operation using this new method of ammonia production is in a country—South Africa—with which we do not have any dealings because of well-known reasons. It is hoped this handicap will not prove a big hurdle in the successful running of the project.

In a way, the South African experience also could be of only limited assistance to the Talcher management as the scale of operation of the gasifiers here is twice that of the South African project. Though of a similar capacity, the South African plant has six gasifiers whereas the Talcher project will be having only three (the fourth one, as stated earlier, will be only a stand-by unit). The successful working of the Talcher project, thus, should mean a new breakthrough in the manufacture of fertilizers from coal. Though the know-how for the process has been procured from West Germany, the tasks of detailed engineering and fabrication of a major portion of equipment have been handled by the Planning and Development Division of the FCI. This should open up avenues of export for our experience and capabilities not only to the developing countries placed in a position similar to us but also to the developed nations interested in diversifying the feedstock of their fertilizer industries to the inclusion of coal in view of the growing tightness of global crude oil market.

transforming economy

The Talcher project can be expected to help significantly in transforming the economy of the backward state of Orissa. A number of ancillary units have been identified for establishment in the industrial estate being set up in the neighbourhood of the project. These include (i) manufacture of polythene-lined jute bags ; (ii) production of alum, (iii) dry ice and compressed carbon-dioxide units, and (iv) industries based on fly ash. The scope for the last mentioned industries is particularly good in view of the proximity of a large-sized thermal power station. Incidentally, unlike in the case of the Ramagundam project, a heavy water plant with a capacity of producing 62 tonnes of heavy water per annum, entailing a capital outlay of Rs 33 crores, is already being put up by BARC in the Talcher fertilizer plant complex.

The development of agriculture as a result of larger availability of fertilizers in the state should also assist in the setting up of some agro-based industries. With the Rourkela fertilizer project already meeting a sizeable proportion of the nitrogen requirements of the state, a substantial part of the production of the Talcher project, however, will have to be exported to the neighbouring states for some time, despite the efforts being made by the marketing division of the FCI to foster consumption of fertilizers within the state through its seeding programme.

This calls for a good deal strengthening of the railway and road transport facilities. The present facilities are grossly inadequate. If this problem is not attended to expeditiously, the marketing of the Talcher fertilizer can be expected to pose a serious problem with its inevitable adverse effect on the production programme. The project authorities, of course, are fully aware of this. What is needed is a helping hand from the railways and more particularly from the state government, which, though committed to provide a motorable approach to the project site from the national highway about 12 kms away, has not been able to fulfil its obligation, presumably for want of resources. The present link—the Talcher thermal power station road—entails a fairly long detour, which will push up fertilizer transportation costs significantly. The new approach road has still to be metalled. although the expenditure involved is not more than about Rs 35 lakhs.

fulfilling commitments

The state governments which vie with one another in making tall promises for attracting giant projects must endeavour fully to fulfil their commitments. Any dilly dallying in this respect will obviously mar their image and hamper their future industrialisation programmes.

The feedstock requirements of the Talcher project, of course, are not expected to pose any problem as adequate potential for raising coal from the nearby South Balnida and Nandira mines has already been created. These collieries have also been linked to the project with a conveyor belt of the requisite capacity. Though the coal price has yet to be finalised by the FCI and Coal India Limited, this issue too is expected to be resolved satisfactorily in the near future.

Capital's Corridors

R. C. Ummat

Boosting engineering exports • New projects for machine tool development

An important decision that will not only facilitate modernisation of industrial units and replacement of plant and equipment but will also add to some extent to the industrial capacity in the country was announced this week by the minister for Industry and Civil Supplies, Mr T.A. Pai, in his inaugural address to the second annual general meeting of the Association of Indian Engineering Industry (AIEI). The decision envisages creation of a technical development fund to take care of the foreign exchange requirements of industrial units for the import of small value balancing equipment having a large impact on quality or quantity of output or for reasons leading to substantial benefits in enhancing export capabilities. The fund would also cater for matters connected with higher capacity utilisation, cost deduction, technology upgradation and product-mix rationalisation.

integrated imports

A special committee under the chairmanship of the secretary, Heavy Industry, would administer the scheme. The committee would meet once a month and approve cases for integrated imports of different inputs up to a maximum aggregate value of $ 250,000 per undertaking per annum. The resources for the scheme have been recently obtained from the International Development Association under industrial import-export credits.

To begin with, the scheme would apply to a few select industries—commercial vehicles, tractors, forgings and castings, machine tools, and textile machinery industries. The other industries would be considered on a case-to-case basis for the time being. If the scheme proves successful, it would be extended to other industries in course of time.

special assistance

Mr Pai also referred to the scheme announced by the Finance minister in his this year's budget speech for providing special assistance on soft terms—low interest, some moratorium on repayment and long period of repayment—for modernisation and rehabilitation of various industries. He disclosed that the details of this scheme were being worked out. It would be made operational as soon as possible. The four industries whose requirements of modernisation and rehabilitation are to be catered for by this programme are textiles, jute manufacture, cement and engineering.

Mr Pai commended the efforts being made by the engineering industry to step up exports. He welcomed the target of Rs 1,000 crores set by the industry for exports by 1978-79 and assured that all governmental help would be available for achieving this objective. He, however, stressed that *inter se* undue competition ought to be avoided by exporters in the interest of creating a wholesome image for the country's exports as well as for creating confidence among foreign buyers of our products. In-fighting among exporters, he said, created many a complication.

Mr Pai also emphasised the need for evolving our own standards and specifications for industrial products, except, of course, where different specifications were required to be followed for export orders. The evolving of our own standards and specifications, he felt, would help in fostering industrial development as well as in bringing down production costs.

The minister commended the efforts of the engineering industry for taking up turn-key projects abroad as well as for adopting consortia approach for this purpose. He said that the stage had now been reached when this country must also export technology to the extent possible, particularly to the developing countries for which it was quite suitable. Government's approach towards joint venture abroad, he said, was very pragmatic and forward looking. The industry should take advantage of it.

Mr Pai as well stressed the need for horizontal transfer of technology. This could obviate repetitive imports of technology. The fostering of ancillaries too was stressed by Mr Pai. He further disclosed that a company was being set up for holding a permanent exhibition of industrial products in Delhi and also to look after participations in exhibitions and trade fairs abroad.

industry's response

Mr Pranab Kumar Mukherjee, minister of state for Revenue and Banking, who too addressed a special session of the AIEI dealing with the rehabilitation of sick industries, urged that the industrial sector should respond in an adequate manner to the stimuli provided by the government for raising production. The industry, he advised, should constantly search for new markets. In the present-day conditions of recession in demand both at home and abroad, what was needed was aggressive marketing. Adaptability to changing circumstances and conditions, Mr Mukherjee stressed, was the hallmark of good management. It could go a long in avoiding industrial units falling k.

The secretary, ministry of Steel, Mr adud Khan, assured the AIEI that the rrent drive to step up exports of steel ould not be allowed to have any adrse impact on the availability of raw aterials for our engineering industry. he domestic requirements could be et fully along with a step-up in exorts.

11-point programme

In his presidential address, Mr K.G. Khosla referred to the problems of engineering export and suggested he adoption of an 11-point programme to attain the target of Rs 1,000 crores worth exports by 1978 79. This programme takes into consideration the findings of a preliminary study conducted recently by the AIEI concerning exports of some selected sectors of the engineering industry such as commercial vehicles, jeeps, transmission lines, foundry, auto ancillaries, wire ropes, diesel engines, farm equipment, steel tubes and bicycles. The programme outlined by Mr Khosla was as follows:

(i) Many steps have been taken recently to simplify and liberalise export financing arrangements, provision of bid bonds, bank guarantees, etc., but this is an area of some constraint to the export effort. The delays in decision-making are a source of anxiety to exporters. This probably reflects the traditional security consciousness of bankers especially at the branch level. With the increasing role of export finance in booking exports, there is need for a joint study by the Standing Committee on Export Finance and the industry of the specific issues and the cases involved.

(ii) Industrial and import licensing has been streamlined and the complaints about delays have come down. The scheme of advance licensing will no doubt help greatly to resolve import licensing problems. We need now to aim at decision-making within 7 days in place of one to three months which itself is a considerable improvement over the past. This will help to resolve the remaining constraints.

(iii) For turnkey projects, totally indigenous supplies can rarely be made by Indian firms and there is usually an element of third country imports. The percentage now prescribed for third country imports is flexible but decisions on cases necessarily take some time. Another aspect is that where indigenous components and inputs are available, prices quoted are generally far above international prices. To strengthen our competitive ability, indirect exporters should be supported and encouraged through incentives, to market at world prices. The handling of turnkey projects requires review and the industry has reported that the Projects Export Committee's role and authority need further consideration.

raw materials

(iv) Availability of raw materials at economic prices is a must for export effort. Alternative formulae have been tried depending on the relative Indian and international price levels. Probably, there is no single formula to satisfy all situations.

(v) A common apprehension relates to uncertainty about government's supports such as replenishment licences or compensatory arrangements for taxes paid locally. An exporter's pricing and long-term market strategy is built around these factors. It is, therefore, essential to maintain stability and continuity in regard to government's supporting policies.

(vi) Shipping freight rates are excessive when compared to our competitors; also sailings are infrequent. Alternative ports combined with road routes are being used, but there are limitations to this approach. We cannot increase exports without the surface transport carrying capacity, and this will be perhaps the most important infrastructural problem facing engineering exports over the next few years.

(vii) Manufacturing capacity is not a constraint in most sectors of the engineering industry. There are only a few cases where additional plant is required to maintain the momentum of growth. In certain sectors industrial licenses or letters of intent are in hand, which can be implemented if required; in some cases built-in capacity for increased production exists.

support facility

(viii) In industrial machinery and heavy engineering industries the supporting facility of export credit is required. More advanced countries are extending long-term credit on easy terms. Whilst we, as a capital-scarce country, cannot offer easy credit, the extension of five to seven years credits would support export increases especially to such countries as Zambia, Indonesia and Kenya. These credits, if provided, need to be earmarked for certain products with a limitation of time for placement of orders by the buyers on Indian firms.

(ix) *Inter se* competition is weakening the overseas sales effort and we have started export consortia to ensure a unified approach. These consortia, however, are yet a few and need to be extended to more industries. Such consortia need to be recognised for the useful role they can play and this can best be done through official support and involvement. The AIEI has set up a Task Force on Export Consortia and the report and recommendations will be submitted to government shortly.

(x) To compete and to enter new markets or to consolidate sales, we must have a permanent presence in selected countries. Industry must, open business offices to serve 5 to 10 firms in a market and to supplement the local agent's work. On this, we need the support of government so that sales promotion offices can be opened.

(xi) To direct business investment towards export sectors, and to make exports attractive, there is need to consider some form of fiscal incentive, either tax credit certificates or export investment rebate, etc.

* *

The department of Science and Technology has identified several projects for the strengthening of the existing facilities in the public sector. Designing and development of these projects will meet the demands generated during the fifth and subsequent Plans so that imports may be drastically reduced. Some of these projects are: (a) development of sophisticated material-removal machinery such as jig borers, jig grinders, and precision lathes; (b) establishment of a metal forming tools institute for RDD in modern metal forming process, around the existing nucleus at CITD, Hyderabad; (c) establishment of a foundry research institution around the nucleus at the the NIFFT (Ranchi); (d) strengthening of facilities for heat treatment at laboratories like NML, NAL, CMERI, CGCRI, and CFRI: (e) development of raw materials required for measuring instruments and testing equipment manufacture by various CSIR laboratories; (f) process and equipment design and development in the field of vacuum heat treatment, flame hardening, medium and high frequency heat treatment equipment; and (g) establishment of an institute for RDD in abrasives, bonding procedures and new processes around the existing expertise at IIT, Madras.

The need to take up, on a priori basis, development of machine too for which capacities exist in th public or private sector has bee stressed by the department. Sever instruments, though simple, are bein presently imported due to lack o financial and other assistance to uni which have the capability to develo and manufacture them. For exampl in the manufacture of measuring an testing equipment, prototypes of a fe instruments have been made by som RDD units. Their commercial exploitation will certainly help to cut th import bill.

The establishment of new research design and development institutes i considered essential for filling the gap in fields where there is currently n organised activity.

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POINT OF VIEW

Anaemic economy needs a tonic

K. K. Birla

This article consists of excerpts from the speech of Mr K. K. Birla at the 49th annual session of FICCI on May 2, 1976.

ECONOMIC polices have diverse objectives—higher growth, better distribution, price stability, larger employment, balanced external payments position—it is a large list. Each objective by itself is unobjectionable. But when taken together they sometimes tend to conflict; they even appear to nullify each other. I feel that this conflict emerges from the fact that the objectives have a natural time sequence. For example, higher growth has to precede better distribution; greater employment automatically follows higher growth; and so on. When this time sequence is disturbed, problems arise. Economic growth too obeys the laws of balance, order and harmony.

I mention this aspect only to emphasise that the budget presented to Parliament in March this year, perhaps for the first time in recent years, recognises the problem and tries to achieve first things first. This, I believe, is the most distinctive feature of the budget, marking it out from the traditional budgets presented in the past few years. I congratulate the Finance minister on his bold and pragmatic approach.

sharp contrast

During the last year the economy underwent a change. National income—up by about 6 per cent; prices—down by 8 per cent; exports—higher by 16 per cent; agricultural production—larger by 9 per cent. These achievements are in sharp contrast to world economy which is still reeling under recession as well as inflation. The turn in our fortunes is due to the dynamic leadership given by our prime minister. The eminently pragmatic 20-point programme enunciated by her has given a new direction to the economy and a new hope to the people. When its goals are achieved we are bound to emerge a much stronger nation. The new sense of discipline and responsibility that is witnessed all around in the wake of the declaration of national emergency adds to this hope. The nation is on the move. We march towards a brighter tomorrow.

correcting imbalance

This year's budget contains a number of measures designed to correct the imbalances in the economy and to impart a sense of dynamism. The most welcome feature is the step-up in Plan outlay by 31.6 per cent. The increase in outlay will speed up circulation of money in the economy and help remove the shadow of recession which has fallen on a large section of industry. What is therefore necessary is that outlay is finalised, the Plan implemented and necessary resources are made available to different departments for this purpose. Only then can the economy revive. And in this matter urgency is of the essence.

Government has recognised the doldrums in investment in the past few years. An investment allowance has been introduced to make up for the drop in investment rate. However, the allowance in its present form is insufficiently effective. Modelled on the lines of development rebate, it is restrictive in respect of the use to which funds can be put or the number of industries that are eligible. The development rebate was available in respect of all plant and machinery installed in any industry. A higher rate was also provided for the priority sector up to 35 per cent of the actual cost. The investment allowance as introduced is only a half way house; it seeks, to meet only partially a universal problem created by inflation. I propose that the benefits of investment allowance be extended to every industry. Since however priority industries are more crucial in our development logic, the rate of investment allowance to these industries will have to be higher. But it is imperative that the investment allowance is immediately extended at least to export industries and industries located in backward areas.

While on this subject. I put forward a philosophy of taxation. There always has to be a degree of flexibility in the incentives or concessions granted to the industry. But, side by side, there should be a long-term policy too, because vacillation and change in basic concepts cause setbacks to industrial growth. One such concept is provision for development rebate or investment allowance —call it by what name you will—a rose by any other name smells as sweet. Depreciation reserve in a period of rising prices falls short of the replacement value of assets. Result: Capital formation suffers; and the industry is left with no resources to replace worn out machinery in the face of rising costs. Investment allowance seems to be the only remedy. And yet this basic concept was forgotton when development rebate was withdrawn some time back. The harm done to the economy by the withdrawal of the benefits of development rebate is enormous. We should not make the same mistake again. I hope therefore there will be continuity of this policy with such refinements as the situation warrants in the years to come.

The Finance minister indicated last year that a high-powered committee was examining the issue of rise in the prices of capital goods whereby new units found it difficult to face competition from existing enterprises. I understand that the Bureau of Industrial Costs and Prices has submitted reports on several industries suggesting steps for improving their viability. I urge the Finance minister to implement the recommendations of these reports, as quickly as possible.

Another direct stimulus to production of selected commodities is the proposal for introducing a new scheme of excise duty relief to the extent of 25 per cent of duty payable on goods produced in excess of production in a base year. Such an incentive is undoubtedly effective, particularly in a period of recession. A similar scheme was, in fact, introduced in 1967-68 with encouraging results. Here too I would urge a continuity of policy rather than withdrawing the concession all of a sudden.

stimulating demand

Besides excise relief, the budget has made provision for restructuring some of the excise duties in order to stimulate demand. Excise duty has been increased on items like cotton fabrics, paper and paper boards, patent medicines, cigarettes, etc. It has been lowered on TV, aluminium, automobiles, etc. Relief notwithstanding, the automobile industry is in a really bad shape as a result recession and a steep rise in the price of petrol over the last few years. Unless and until the price of petrol is reduced by lowering the excise duty on it, this industry will not revive. It directly and indirectly employs over 90 lakhs of people; it is the second largest employer after agriculture. The plight of this industry deserves sympathetic consideration.

For the first time the Finance minister has accepted the basic principle that high rates of taxes are self-defeating. The orthodox fiscal theory that higher taxes alone could provide larger revenues has long been rejected by most countries. It is proved all over the world that lower taxes lead to higher revenues and impart dynamism to economic growth. The USA and Japan applied fiscal stimulus to secure growth, and found that with every tax cut the economy progressed and thus the exchequer gained. The correct approach is to make revenue grow not by increasing taxes but by enabling income and Gross National Product to grow. The method of eradicating economic inequalities by confiscatory taxation is irrational.

better tax compliance

The success of the Voluntary Disclosure Scheme has in fact confirmed this cannon of taxation. Consequently it was wise on the part of the Finance minister to have reduced the rates of taxes on individuals and Hindu Undivided Family all along the line. This measure will encourage better tax compliance and promote savings. Personal taxes in this country however are still among the highest in the world. Some further consideration is needed in this direction. Last year, the Finance minister reduced the rate of personal taxes. This did not affect the government's revenue; on the contrary, the volume of tax collection increased. I feel confident that this year's result too will justify the action taken by the Finance minister.

What is good for the gander should be good for the goose. What is true of income tax is true of the corporate tax. But the rate of income tax on companies continues to be high. By comparison the rate of taxes on companies in other countries is much lower. In the UK, for example the corporate tax is 40 per cent; in the USA 42 per cent; in West Germany 36 per cent; in Japan 40 per cent: in Malaysia 40 per cent; and in Philippines 35 per cent. These low rates generate funds in the corporate sector thereby leading to greater developmental efforts.

Besides high tax rates, the corporate sector in India has to pay surcharge on income tax. The levy of surcharge on companies was introduced in 1971 to meet the extraordinary burden on government imposed by the Bangladesh crisis. The Bangladesh crisis is over but the levy continues.

tax on profits

That apart, many concessions which were earlier available to the corporate sector have been withdrawn in recent years; The concession to priority industries has been discontinued: The tax credit certificate scheme for increased production and for exports has been allowed to lapse. Many legitimate business expenses like those on guest house, entertainments, part of interest payment etc. are also being disallowed. The net result is that the actual incidence of taxation is of a much larger percentage of the corporate profits. In other countries both developing and developed, a host of generous exemptions and reliefs under their tax systems actually bring down the effective tax burden from the prescribed tax rates. Experts all over the world have felt that the maximum tax on corporate profits should not exceed 45 per cent. In the present context of our economy, there is a strong case for implementing this suggestion. Moreover the surtax is a tax on efficiency and should be regarded as out of place in a developing economy like ours.

Partly as a result of recession and partly due to bad management a number of industrial units have fallen sick. Sickness in industry implies idle capital, and what is more disconcerting, idle manpower. This situation of sick units can be rectified through their takeover by well run undertakings. The tax system has, therefore, to be amended in such a way that the losses of sick units are allowed to be set off against the profits of the well-run units. Sickness in industry as in fe is often unpreventable; but a per-etual convalescence is unforgiveable, pecially when an excellent remedy is vailable.

It is somewhat disappointing that in pite of the necessity of expanding ex-ort, fiscal policy of the government does not give due encouragement to export drive. My view is that exports have to be given at least internationally compatable incentives. The time is now when our economy is faced with an unprecedented trade deficit of around Rs 1300 crores. And why not, in order to accelerate export effort, tax at a lower rate a part of profits, equal to the ratio of exports to production?

So far I have confined my observations to fiscal measures. The other part of the resolution relates to monetary policy. Finance to the economy is like the circulation of blood in the human veins. My impression is that the economy has become anaemic and needs a good tonic. We must wake up to the fact that flow of money is vital for rapid industrial revival. The choice is quick liquidity or slow liquidation.

Recession in the aftermath of the squeeze came in October 1974 when severe restrictions were imposed by the Reserve Bank of India on credit expansion. Under the circumstances it seems unreasonable to continue with the same policy when conditions have reversed. The enemy today is not inflation but recession. Shortage of finance has adversely affected industry and trade, particularly at a time when these sectors are faced with piling up of stocks due to low offtake. Credit policy needs to be liberalised and bank credit to industry and trade enlarged so as to revive demand and facilitate production and distribution.

The budget for 1976-77 does not provide any support to food procurement and fertiliser distribution; almost the entire finance will have to come from the banking sector. This is a sound business approach inasmuch as Plan expenditure has to be put up without additional resource mobilisation. However, it has to be ensured that genuine financial needs to other vital sectors like industry and trade do not remain unmet. Significant deposit mobilisation and rational sectoral distribution of credit are, therefore, called for. The banks should also be advised to refrain from implementing the restrictive recommendations of the Tandon Study Group.

The rupee after delinking

M. M. Kothari

The rate of exchange of rupee against pound sterling has improved since delinking.

THE DELINKING of the rupee was widely welcomed in our country because it was adopted at a time when pound sterling's exchange value was drifting downward without bounds. On the other hand, rupee's exchange rate could fluctuate only within acceptable margins (2.25 per cent upward and downward of the central rate accepted since the December 20, 1971 realignment). Limited fluctuations and linking the rupee with a floating currency were contradictory in character. Floating of the rupee was a debatable issue. Hundred per cent free float of the rupee was not possible for a controlled economy such as ours and floating under IMF surveillance was also not good for certain obvious reasons. Finally we chose to delink the rupee from pound sterling and attached it with the value of a secret basket of currencies.

On the night of September 24, 1975 the government of India announced that "the delinking would follow the determination of daily exchange rate from the movement of selected currencies of the countries which were her major trading partners." (The USA, the UK, West Germany, Japan and West Asian countries could be considered as our major trading partners.) The sterling would continue to be an intervention currency for the Reserve Bank of India. These new arrangements may continue until a durable system of exchange rates is devised by the International Monetary Fund.

Immediately after the delinking of the rupee, the authorities had to solve the problem of weights to be assigned to different currencies included in the currency basket to which rupee was attached. Although the currencies in the basket remain a secret and hence their weights too (which seems to have been kept so just to save the rupee from the speculators' profit-earning activities and disturbing the rupee's stability), to provide some indications here, the currencies of eight countries have been taken which have had major trade relations with our country for the last three years. On the basis of average yearly percentage of India's total trade for three years with these countries weights have been calculated which might be effective at the time of delinking.

The US dollar, Japaness yen, UK's pound sterling, Iranian rial and West Germany's Deutsche mark have been given here the highest weights. The Russian rouble has not been included in the calculation of weights as it is not convertible in the western foreign exchange markets. It is also presumed that as our trade relations change during the course of time, weights therefor should also be changed accordingly.

The rate of exchange of rupe against pound sterling has improve since the delinking. The rupe has witnessed four official revaluation vis-a-vis the pound sterling. The poun is cheaper today by Rs 1.70 as compared to its pre-delinking rate.

Rupee's strength in international markets is more due to disinflationary measures adopted in this country and less due to any other factors. Although of late the pound is sinking to to a new low (as on April 9, 1976) at $ 1.8375 in place of $ 1.8710 previously on April 2, 1976 due to additional selling pressure it is not likely to regain substantianlly in spite of a fall in the rate of inflation evidenced in the British economy. Rupee's revaluation has also come forth not only on pound's performance but on the net impact of changes in the basket of currencies of selected countries.

The official revaluations of rupee have not only cheapened pound sterling but also the US dollar, Canadian dollar, Belgian franc, Deutschemark, Dutch guilder, Swiss franc and Italian lira, though through different magnitudes. But now the Deutsche mark, the US dollar, Belgian franc, Japanese yen and Swiss franc have shown reversal in trend and the rupee is losing after the latest revaluation.

heartening feature

In the current atmosphere when the British pound, French franc and Italian lira are sliding downwards in spite of the respective governments' monetary efforts to save them, rupee's strength is heartening. It is expected that during the year 1976-77 rupee's value will remain stabilised in terms of major world currencies except the US dollar, and the mark which are likely to emerge stronger. The currencies of OPEC nations might remain sluggish in terms of the rupee which will help us in procuring cheaper oil imports.

Now the question is whether the strengthening of rupee will benefit all the segments of the economy. Strengthened rupee will bring us cheaper imports of fertiliser and fuel and the long-drawn trend of import dominance over export earnings will be put to a halt provided, on the export front, non-traditional items including capital exports go on increasing with improved financing facilities. Traditional exports may not fall because of the fact that the rate of inflation is higher in competing countries and hence the cost of production of exportables is comparatively less in this country. Because of increased emphasis on research and development, our export goods are expected to compete successfully both in quality and prices.

Further, the rupee trade with socialist countries, especially with the USSR, will not suffer on the execuse of downward trend in rupee's value in foreign markets. Our debt repayment burden in terms of rupees will fall although in terms of foreign currencies it will remain the same.

Most of the world currencies are now floating but the ultimate aim for all such currencies is to stabilise at a position best suitable to them. For a developing economy such as ours, rupee should be stabilised after it floats for a year or two and later on multiple rates of exchange should be adopted according to the needs of the economy. Most of the experts say that jerky upvaluations of the rupee under the present floating are not wholesome for the economy. Since exporters get reduced earnings they need additional incentives to avoid losses. It will be better if a multiple system is started now. If this system is adopted, rates should be revised within 12 months to 36 months. Import and export itmes should be divided into two or three groups and different exchange rates should be applied to them. Multiple exchange rate system is superior to exchange control system and saves the economy from confusion. It restores power in administrative hands and market forces cannot freely disrupt the pre-set objectives of the government.

TABLE I

Currency Basket and Weights for Indian Rupee

Trade partners currencies	Total Trade						Average weights
	1972-73 Rs crore	%	1973-74 Rs crore	%	1974-75 Rs crore	%	
USA—Dollar	510.54	13.3	844.32	15.4	1184.89	15.3	14.7
UK—Pound Sterling	409.73	10.7	515.60	9.4	520.40	6.7	8.9
Japan—Yen	396.66	10.3	618.25	11.3	748.75	9.7	10.4
Iran—Rials	146.77	3.8	310.43	5.7	687.17	8.8	6.1
W. Germany—D.Mark	234.88	6.1	293.69	5.4	412.33	5.3	5.6
Canada—Dollar	235.80	6.2	146.99	2.7	174.75	2.2	3.7
Sudan—Sudanese £	66.51	1.7	40.49	0.7	71.46	0.9	1.1
Arab Republic of Egypt—Egyptian £	60.62	1.6	40.78	0.7	75.25	1.0	1.1

Source : Journal of Industry & Trade

TABLE II

Rates of Exchange

	Pre-delinking rate	Post-delinking upvaluation Sept 24, 1975	Dec 5, 1975	Mar 8, 1976	Mar 11, 1976	April 3, 1976
1. Medium Rate $\frac{\text{(Spot buying} + \text{spot selling)}}{2}$ (Rs per £)	18.60	18.3084	18.1284	17.75	17.25	16.90
2. Percentage change	—	+1.575	+0.98	+2.1	+2.82	+2.03
3. £ cheaper by		29 paise	18 paise	38 paise	50 paise	35 paise

Self-financing in public enterprises

Dr R. K. Mishra

The author unfolds the causes of low rate of self-financing in our public sector enterprises and offers suggestions for the generation of larger funds internally

FOR A public enterprise established with he aim of accelerating industrial growth on the socialistic pattern, self-financing is more crucial than in the case of an enterprise in the private sector. This is because it helps in the rapid expansion of the public sector enterprises, enlarges the scope of their autonomous functioning, effects constant improvements in their economic working, and enables to contribute to the growth of the economy as a whole. Thus in the absence of self-financing by public enterprises, it is very difficult to attain the goal of "socialist industrialisation" for the Indian economy. In this context, the present article proposes to examine the trends in the size of self-financing in public enterprises, to unfold the causes responsible for their low rate of self-financing and to offer suggestion to generate larger funds internally.

running undertakings

The scope of this article has been restricted to the running undertakings of the central government including both the industrial and commercial enterprises. The undertakings under construction have not been included in this study as they cannot naturally be expected to generate any surplus. Similarly, the enterprises engaged in developmental and promotional activities have also been excluded as they may not be able to build up any sizeable surplus. The coverage of this article ranges from 1964-65 to 1974-75, for which the information is available in the Annual Reports of the Bureau of Public Enterprises (ministry of Finance; government of India, New Delhi). The techniques applied in analysing the data and the terminology used relate to the discipline of "Financial Management".

Table I gives the data on investment and internal resources generated in public enterprises.

It shows that on an average, for the periods 1964-65 to 1974-75, the internal resources generated by public enterprises constituted 5.3 per cent of the investment made therein. On the basis of this result it can be concluded very safely that the quantum of internal resources generated for the purpose of self-financing in public enterprises is not adequate. It may be pointed out here that the internal sources of funds for assets formation for 1501 selected medium and large non-financial, non-commercial public limited companies in the private corporate sector rose from 41.2 per cent in 1965-66 to 55.0 per cent in 1969-70.[1] For 1650 selected medium and large non-financial companies in the private corporate sector the percentage of such resources turned out as high as 58.2 per cent in 1971-72.[2] It may also be noted that in most of the big private enterprises in the United Kingdom, self-financing counts for 75 per cent of the total capital expenditure.[3] According to Professor G.S. Bhalla, most of the British public enterprises have been financing their development programmes through self-financing.[4]

Instead of using funds from retained profits, the public enterpirses have been

TABLE I

Investment and Internal Resources Generated in Public Enterprises During 1964-65 to 1974-75

(Rs in crores)

Year	Investment	Internal resources generated			Col. 5 as percentage of Col. 2
		Depre- ciation	Retained profit/loss	Total	
1	2	3	4	5	6
1964-65	1646.8	57.2	18.2	75.2	4.6
1965-66	1860.2	69.5	16.0	85.2	4.6
1966-67	2782.0	81.1	(−) 5.9	75.2	2.7
1967-68	3093.3	113.3	(−) 9.1	104.2	3.6
1968-69	3552.4	134.2	7.5	141.7	4.0
1969-70	3794.2	146.1	47.9	194.0	5.1
1970-71	4010.0	148.9	52.3	204.2	5.0
1971-72	4201.0	169.4	45.4	214.8	5.1
1972-73	5426.0 *	193.6	66.7	260.3	4.8
1973-74	6103.0 *	233.0	154.0	387.0	6.3
1974-75	7261.0 *	—	—	580.0	8.0

*Includes investment in promotional and developmental undertakings.

employing funds arising out of the depreciation provision. For instance, from 1964-65 to 1972-73 the depreciation and retained profits provisions contributed 82.1 per cent and 17.9 per cent respectively to the amount of internal resources generated by them. In this period, the percentage of retained profits as a constituent of internal resources generated by public enterprises to their investment had been only 0.8 per cent. It is worth noting here that the share of depreciation provision in the private corporate sector for 1501 selected medium and large non-financial and non-government public limited companies was 65.0 per cent in 1969-70.[5] For 1650 selected medium and large non-financial, non-commercial companies in the private corporate sector, the share of depreciation provision in internal resources was 70.0 per cent during 1971-72.[6]

percentage relationship

A study of the percentage relationship between internal resources generated and investment in public enterprises shows that it was neither stable nor appreciably progressing. From 4.6 per cent in 1964-65, it came down to 2.7 per cent in 1966-67 and then from 5.1 per cent in 1969-70, it declined to to 5.0 per cent in 1970-71. Registering again an increase of 0.1 per cent in the following year, it recorded a fall of 0.3 per cent in 1972-73. This was sufficient to indicate that no set policy for self-financing in public enterprises existed and they probably took no interest to correct their working in this regard.

The causes responsible for the low rate of self-financing in public enterprises have been as follows:—

(a) Lack of a definite policy in regard to self-financing,

(b) Poor profitability,

(c) Managements' helplessness, and

(d) Easy availability of finances.

One important reason for the low rate of self-financing in public enterprises has been the lack of a definite policy in this regard. They have not made any attempt so far to fix the self-financing targets. In the absence of such a policy public enterprises fail to indicate as to how much they would contribute from their own resources towards their capital requirements, working capital and growth of the economy as a whole.

It is no secret that the profitability of public enterprises in India has been extremely poor. Table II shows the overall net profits/losses of the running public enterprises in India and their percentage to "investments" made therein.

Table II shows that the percentage of net profit on investment declined from 1.2 per cent in 1964-65 to 0.6 per cent in 1965-66 and after this period only in 1972-73, 1973-74 and 1974-75 some profit could be earned. To add to this, many running enterprises had incurred cash losses during the time-span of the present study. It may be noted that profits after tax as a percentage of net worth in the case of 1650 medium and large public limited companies in the private corporate sector were 10.5 per cent in 1970-71.[7] The RBI's study on finances of 1001 non-financial-non-government medium and large limited companies for the year 1972-73 shows that profits after tax as a percentage of net worth for these companies were 7.7 per cent.[8]

Profitability has much to do with self-financing in public enterprises. Unless profits are earned and the rate of profitability is improved constantly, and considerably, the reservoir of retained profits cannot exist and rise to a satisfactory level. The retained profits are considered to be the most

TABLE II

Overall Net Profit/Loss of the Running public Enterprises and Its Percentage to Investment during 1964-65 to 1973-74

Year	Net profit/loss (Rs in crores)	Percentage of net profit/ loss to investment
1964-65	19.5	1.2
1965-66	10.3	0.6
1966-67	(=) 21.6	(−) 0.8
1967-68	(−) 34.7	(−) 1.1
1968-69	(−) 26.9	(−) 0.8
1969-70	(−) 3.7	(−) 0.1
1970-71	(−) 2.5	(−) 0.1
1971-72	(−) 19.0	(−) 0.5
1972-73	(+) 18.0	(+) 0.3
1973-74	(+) 65.0	(+) 1.7
1974-75	(+) 183.5	(+) 2.5

important and the most appropriate constituent of internal finance.

The helplessness of managements of public enterprises has also been responsible for a very low rate of self-financing. The generation of internal resources depends largely on the freedom to formulate a policy in this regard. This has not been done. While it is agreed that public enterprises of the industrial and commercial nature should secure profits, their disposal is not within the purview of these enterprises. Under the existing arrangements, it is very difficult for the managements to undertake a bold policy of self-financing. In fact, they can undertake self-financing only to the extent of the depreciation funds and reserve funds which tthey have been able to build up.

easy availability

Another reason responsible for the absense of any compact and integrated policy of self-financing in public enterprises has been the easy availability of finances to them. In spite of incurring cash losses year after year, most of the running enterprises have not faced any serious shortfall in funds. On the contrary, they have been provided with funds for expansion programmes and meeting working capital deficits.

The terms and conditions on which finances are obtained by public enterprises leave no initiative for them to take recourse to self-financing to square their financial requirements regarding expansion as well as for working capital. About half of the long-term funds supplied to them were in the form of equity and the rest in the form of unsecured long-term loans on which the rate of interest charged varied from 6.5 per cent per annum to 7.5 per cent per annum. Instead of financing the working capital requirements from resources generated internally or from the State Bank of India or the nationalised banks, the running enterprises have preferred to divert the long-term funds for this purpose which has caused only deterioration in their financial discipline.

For improving the pace of self-financing in public enterprises a number of suggesstions may be offered.

To begin with, the government may formulate a compact and an integrated policy of self-financing for these enterprises. In consultation with public enterprises, the government may lay down the targets of self-financing for each running enterprise. While laying down such targets, it should be made amply clear to each public enterprise as to how much of its development and working capital requirements have to be financied from the finances generated internally and how much of it are they required to contribute to the government for the growth of the economy as a whole. The information as regards the progress in this sphere should be furnished by public enterprises to their parent ministries and the Bureau of Public Enterprises. In case a public enterprise does not attain its target, the parent ministry and the Bureau of Public Enterprises should find out reasons responsible for such a situation, suggest correctives for the same and see that they are carried out in the desired manner.

improving profitability

Second, steps should be taken to improve the profitability of public enterprises. The improvement in profitability necessitates the introduction of several measures. The production costs should be ruthlessly pruned and capacity utilisation should be substantially improved by public enterprises. Steps should be taken to remove over-capitalisation. The implementation of these suggestions is expected to quicken the pace of assets formation and boost their profit margins. Besides this, the profit target for each public enterprise may be laid down by the government specifically and the secretariat culture in public enterprises should give way to the managerial cu ture.

Third, for self-financing to be success in public enterprises, th decision regarding the disposal of profit should be taken by the public enterprises This would enable them to divert respectable part of their profits to th reservoir of internal resources. Thi will correct the imbalance in th composition of internal resources.

new policy

Finally, the situation of easy availability of finances must end. The policy regarding the "capital structure" for publicy enterprises should be such as may compel them to bear a justified capital cost. Besides this, it may be made obligatory on public enterprises to finance their expansion and working capital requirements from their own resources.

Self-financing for expansion and providing additional resources to the government for the growth of the economy as a whole should be taken as a specific obligation of public enterprises operating in the industrial and commercial fields. This is a prerequisite for the 'socialist industrialisation' of the Indian economy.

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WINDOW ON THE WORLD

"The road to serfdom"

Jossleyn Hennessy, London

I

BOTTOMLESS SPENDING

EVER SINCE the great depression of the 1930's there has been a widespread tendency to transfer increasing responsibility to the state. More recently, the onset of the latest and most virulent of the post-war recessions has led to growing pressures to revive economies by stepping up government spending even at the cost of massive budget deficits—a formula first advocated by Keynes in 1936. Wagner's "law of growing public expenditures" has nevertheless convincingly proved its validity in the recent past. As we shall attempt to show in the following article, the trend is alarming.

The non-stop growth of public investments and state consumption is a matter af concern. Governments are, for instance, not bound by any profit and loss equation nor, in most cases, by any cost-benefit analysis. On top of this, the scope of private enterprise is restricted. Along with the other tax-payers, it has to subsidise the growing costs of government activity through higher taxes and duties. This again involves a redistribution of income. Finally the state also competes directly with private enterprises on the capital market.

If we attempt to characterise an economic system in terms of the government spending component in GNP, we can certainly speak of a free market economy as long as the ratio is below 20 per cent. In this type of economy government influence is relatively slight and it is the private sector that largely determines how the means of production are employed. When the ratio ranges between 20 per cent and 30 per cent we move into a "mixed" economy. If it rises to 50 per cent or more, the market economy is so cramped and debilitated that it can no longer function satisfactorily. In the classic phrase of Friedrich von Hayek such a country is on the "road to serfdom".

Let us briefly trace the trend of government expenditure in the United States, the United Kingdom, France, West Germany and Switzerland since the period between the two world wars.

welfare expenditure

In 1929 government spending in the United States amounted to 10 per cent of GNP. Ten years later it was approaching 20 per cent. Discounting a war-related bulge at the beginning of the 1940's (up to 49 per cent in 1944), the 1929 ratio has more than tripled. Social security expenditure has risen by 487 per cent since 1929 and so-called "traditional" expenditures by "only" 138 per cent: outlays on defence on the other hand have gone up by 914 per cent. Plans are afoot in Congress and the administration which would increase the government spending component still further. Consequently, the United States seems to be heading further along the "road to serfdom".

The UK is widely held to be an example of what lies in store for other countries. The graph shows in fact, that all the countries examined followed a similar pattern of development since World War II.

British government expenditure probably exceeded 50 per cent of GNP the first time in 1975. Expenditure roads, housing and public utiliti accounted for the bulk of the increas A comparison of social security e penditure reveals the claim that welfare state is more developed in t United Kingdom than in the USA be erroneous. British social insuran expenditure for 1975 probably rose 22 per cent of GNP, only marginal higher than the corresponding US figu of 19 per cent. The percentage f Switzerland works out at 13 per cent.

There can be no doubt that the lev of state spending in the UK is detr mental to a market economy. There an obvious danger that the incentiv to work in a competitive firm with i relatively high performance requir ments will be seriously diminished if th majority of employees can count on secure job in a government subsidise or nationalised industry.

a broad pattern

In France, state expenditure broken down differently from oth countries and for this reason we confi ourselves to the broad pattern. B 1959, France was no longer a fr market economy as defined earlier. Fo that year the share of state expenditu in GNP was 34 per cent. Thereafte with few interruptions, it rose gr dually to 36 per cent in 1973 and to a estimated 38 per cent in 1975.

The pattern in West Germany more favourable than in the countri mentioned so far. Between 1950 a 1974 government spending in the GN moved in a 28 per cent to 32 per ce ge, except for 1960 when it was iceably lower. The graph also in- des per-war figures although these : not fully comparable with later tistics.

In Switzerland, the share of federal, ntonal and municipal expenditure in NP remained relatively constant in 938 and from 1950 to 1960. In 1938 it nounted to 18 per cent, rose to 20 per ent by 1952 only to drop back to 18 er cent again by 1960 and 1960 can in act be regarded as the turning point. ince then, government expenditure has teadily increased its share of the GNP nd in 1973 stood at 25 per cent.

If this trend continues, the Swiss economy would cease to be a mixed economy before the end of the decade. A comparison between state spending and gross domestic investment is revealing. In the 1960's when the private sector was subject to a number of restrictions in order to cool the economy, the figures show that the public authorities were actually stoking it up again.

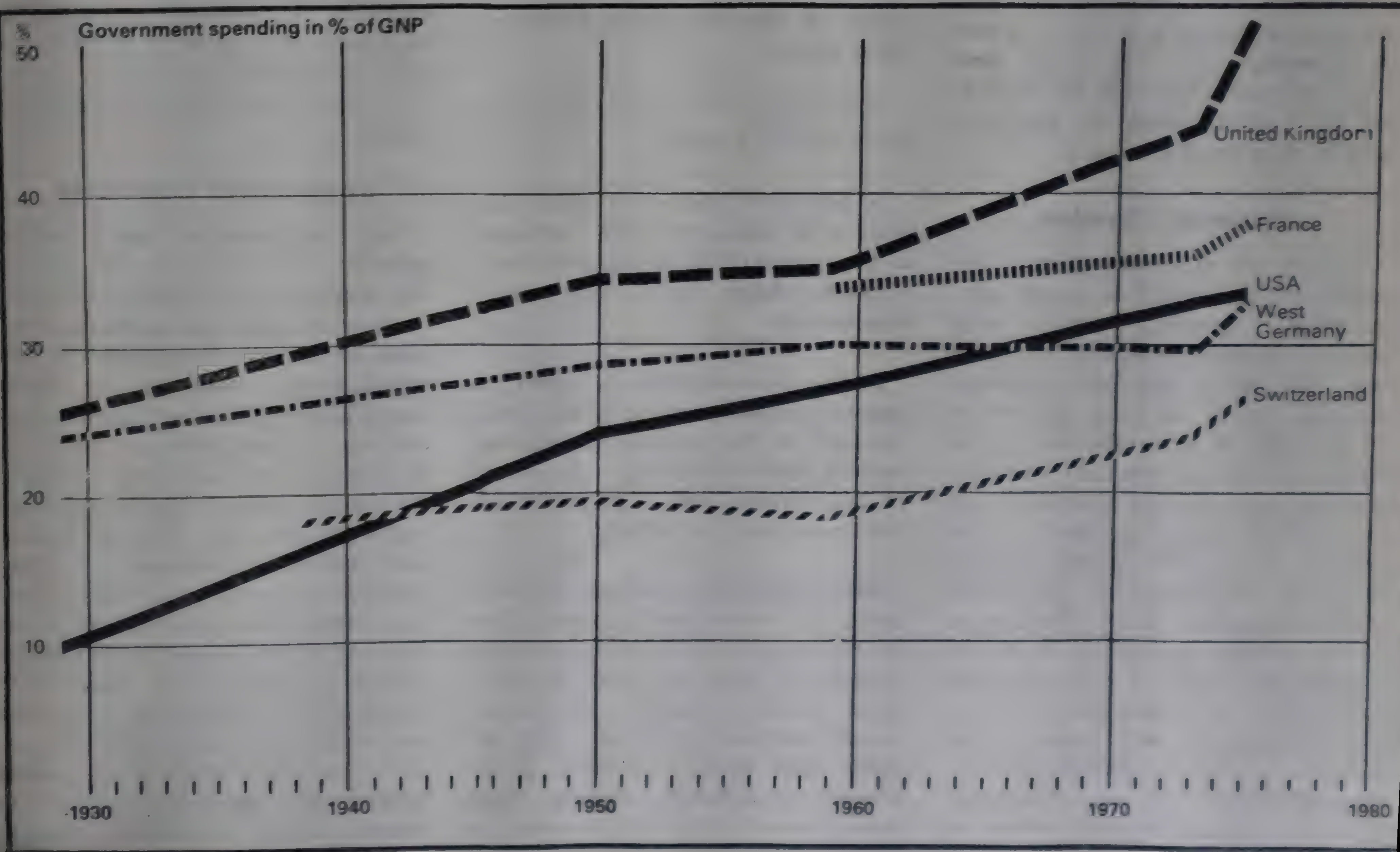
In terms of GNP government spending climbed from 19 per cent in 1962 to 22 per cent in 1968, while private investments fell back from 30 per cent to 26 per cent. Up to the beginning of the 1960's the latter had seen steady growth and since then have fluctuated at between 25 per cent and 30 per cent; in 1974 they amounted to 26 per cent. Sizable shifts have taken place between the various sub-groups classified according to functional relationship. In terms of overall expenditure, health, social welfare, education, research and culture, regional planning, communications, energy and tourism have all increased their percentage share. Outlays on defence and financial expenditure on the other hand have decreased proportionally. The remaining categories have seen virtually no change.

II

INSTRUMENTS OF POLICY

In an economic phase like the present in which underemployment of production factors is preventing economies from explitoing their full growth potential, the immediate aim of fiscal policy is to increase aggregate demand. This target can be achieved either by expanding government expenditure or by increasing private consumption and/or private investments by lowering taxes·

Expanding public spending increases the total volume of expenditure and hence the GNP, provided it does not cause a drop in consumption and investment in the process, The increase in GNP is determined by the multiplier and the acceleration effect. The



latter diminishes when unemployment increases and there is a low level of capacity utilisation. If the economy is tending towards full employment. however, the accelerator effect is that much higher.

To gauge the effect of an increase in government spending we have to take three factors into account.

Firstly, the extent of the multiplier effect depends on the marginal propensity to save by recipients of government payments. If these payments take the form of wages paid to low-income earners, the marginal saving quota will be smaller and consequently the multiplier greater than if the payments went to people in higher income brackets.

Secondly, state expenditure can positively influence industrialist's expectations regarding income from private investments and in this way give economic activity a new boost. (There is, however, one reservation here involving what is known as the "crowding out" effect, which we will deal with in more detail later on.)

additional stimulus

Thirdly, an expansion of state expenditures can result in private consumption spending simply being replaced by public consumption spending. In such a case no additional stimulus results. Varying the level of its expenditures is not the only way in which the state can influence economic activity; two effective alternatives are tax cuts and transfer payments. More recently, tax relief has gained in popularity as an instrument, as current American practice shows. Reductions in tax produce an increase in disposable income. After a certain time-lag expenditure on consumption starts to rise followed by investments. This helps to stimulate economic activity. The effectiveness of tax reductions, however, depends on the volume of funds released and the current propensity to consume.

The second alternative, transfer payments, does involve increased government expenditures but no corresponding purehases of goods and services. Socially, these payments are desirable to the extent that they supply people in need with income. By and large, however, they are less favourable to economic stability because they do not involve the provision of any services in return.

III

THE CAPITAL MARKET

One negative aspect of rising government expenditure is what is known as "crowding out". This consists in the state financing its extra expenditure by issuing bonds, thereby competing with the private economy on the capital market. The private sector uses its own borrowings to finance investments which are the determining factor for future growth.

"Crowding out" can manifest itself in the following ways:

1. The state takes over more and more of the tasks previously belonging to the domain of the private economy—a process Adam Smith was already familiar with.

2. The state borrows in order to finance its deficit, leading to additional pressure on the capital market and pushing interest rates up. As a result of the growing cost of money private investments start to decline.

Many economists even held the view, based on money supply theory, that in the case of a steadily increasing government debt the drop in investment activity outweighs any expansionary impulses generated, with the result that there is actually a net decline in economic activity. The state, however, can only continue to finance its deficit through loans as long as the supply of savings lasts.

If demand for capital outgrows supply, the government can resort to printing new money in order to choke off any rise in interest rates. In this way it would be possible to satisfy both the public and private borrowing requirement. However, there is a big risk of accelerating the price rise in the process. In such a case, nominal interest rates will also start to move up. Whilst it is true that investments tend to react more readily to real changes in interest rates, there eventually comes a point when the higher nominal rates will have a dampening effect on any upturn.

There are no near-term objections to a policy of deficit spending in the form of substantial government purchases of goods and services, tax reductions, higher transfer payments or any judicious combination of these, since the multiplier effects should be favourable. Moreover, with capacity utilisation at a low level there is in any case unlikely to be much competition on the capital market.

government borrowing

The medium-term view is less reassuring. In order to be able to give the economy the impulse demanded in many quarters, the government will have to borrow increasingly on the capital market. Whether the market can furnish the necessary funds without causing a drastic rise in interest rates is doubtful—we have only to look at the budget trend in the United States and West Germany. Even in Switzerland difficulties could arise. A heavier government borrowing requirement could, for instance, severely affect the financing of the annual Sfr 500 million needed according to the Swiss Hotel Association's estimates to reconstruct and modernise existing facilities. As the economic recovery progresses, interest rates are liable to rise more sharply owing to collisions between ublic and private issuers. As a result any private entrepreneurs would be ept off the market. This could mean hat the future supply of goods would uffer from chronic bottlenecks which would help to fuel inflation.

The burning question asked everywhere today is: Can we afford the future? The whole problem has been compounded by the leap in demand for capital in connection with the energy crisis, environmental protection and the unsatisfactory state of the labour market.

Leading on from this, we have to find answers to the following questions: How much growth do we want in the foreseeable future ? How high a standard of living should we aim at? How is inflation going to develop ?

Once we have tackled issues such as these the problem of capital requirements will be that much easier to solve. What is certain is that we must switch from a policy too heavily geared to bolstering consumption and pay more attention to promoting investments. Studies by Bosworth, Duesenberry and Carron as well as by Sinai and Brinner show clearly that a return to budget stability in the United States is absolutely essential. Provided the US budget is square in 1977 or 1978, it will certainly be possible to cover future capital requirements. Bosworth, Duesenberry and Carron hold the view that the economy can cope with the demand for capital for the rest of the 1970's, "with normal growth and without unusual sacrifices, but very careful fiscal management will be required to avoid a capital market crunch or a renewal of inflationary pressures".

It is to be hoped that the US authorities will present a monetary and fiscal package capable of lifting the economy out of recession and keeping it on the rebound. As for Europe, efforts in the next few years will have to be aligned on reversing the trend of government spending.

Sources and acknowledgement; The foregoing summarises an exclusive report by Adriano zanoni in the latest issue of *Prospects*, the Business news survey published quarterly by the Swiss Bank Corporation, but the bank is not responsible for the wording of my summary.

The uncertain upswing

E. B. Brook, Vienna

THE UNITED States, becoming irritated and maybe a trifle alarmed at the apparent growth in influence of communism in west Europe, is beginning to throw its economic weight about. To read the European and US newspapers at the present time one would imagine, if not a trifle better informed, that the Italian Communist Party is certain to win any general election held in that country this year or even next and that France staggers in some financial and economic weakness towards a sinister victory of the combined left-wing forces of socialism and communism.

Secretary of State Henry Kissinger has warned the world that if communists entered the Italian government the result might be a long-term dangerous trend in west Europe because "other countries might be tempted to move in the same direction." This weekend he has insisted that further advances by the communists in west Europe must be stopped, urged the few strong in west Europe to help the many weak to check the danger and threatened a trade war and some withdrawal of US troops from west Europe to convince everyone that he was talking seriously.

The communist parties in Italy and France have, it is true, achieved successes in legally held elections; the Italians have the biggest party in parliament and the largest total vote in the last Italian elections. If there were an election this year—an event all parties other than the communists are trying so hard to avoid that they add to the impression that the communist party would sweep the board—the Italian Communist Party might repeat its success. But it would be very unlikely to win more parliamentary seats that all the other Italian parties put together and the probaility of it forming a government even in the best of circumstances for it is extremely remote.

The French Communist party, for the time being in an uneasy alliance with the socialists, has achieved some advances in provincial elections in a general left-wing swing. But the suspicion between the socialists and their communist colleagues is so deep that the threat of a general election would be almost certain to rend them apart. In no other west European country, with the possible troubled exception of Portugal, has the communist party anything more than marginal influence.

Why, then, the scare and the threats ? The potential new chairman of the Socialist International, former West German Chancellor Willy Brandt, remarked recently that ideas and activities that are called communist in Italy and France would not be described as communist at all in Germany. There is some truth in his remark, but Herr Brandt might care to explain how Italian and French communists are accepted as such by the Soviet party if they are not truly communists at all. At the same time, to anyone living in west Europe and aware of its politics the present US political and newspaper scare about communists advancing in Italy and France is almost laughable.

The source of the campaign and the pressure on west Europe is to be found first in the fact of the US presidential election, in which an anti-Red scare is a godsend, and the feeling of need to divert angry public attention from the international bribery revelations in which the biggest names in multinational companies have been involved and the frank admission of sizeable payments to foreign non-communist political parties. If communism has, in fact, advanced at all in west Europe it is the result over the last two years of a US president disappearing in disgrace and the biggest international firms having been proved to ease their sales' path with bribes and some general collapse in the repute and morality of those held in esteem in political and commercial leadership.

upswing in economy

West Europe has enough real troubles of its own without needing any bogeys to be foisted on it, with or without threats if the bogey is not accepted. The European Economic Community area and several of the EFTA countries are experiencing the beginning of an upswing from the depth of recession in the last two years. But the pace, duration and scale of that upswing are uncertain and that fact provides far more problems than the temporary successes of communists anywhere. In general, reasonable prospects for this and next year are of slower growth in Gross National Product, a steeper rise in consumer prices-already forbidding and still high unemployment. The latter fact is truly alarming, especially since it includes almost a quarter of potential workers between 18 and 25 years of age, a proportion that will inevitably grow when schools and colleges empty of their leavers next summer. If there were any prospect of cooperation on this subject between governments, management and trade unions the outlook would not be so unhappy, but this cooperation appears only in West Germany and Austria. Management is, in fact, eliminating many jobs by making its production more capital-intensive and structure-rationalising.

The employment dilemma grows, even in the most fortunate or the wisest countries. Short-time working, extended holidays and earlier retirement ages are all used to hide the fact that worklessness is steadily growing. In the Market area alone last year unemployment compensation payments cost nearly 11.5 billion dollars. There is need for much more capital spending but this will not increase unless corporate profits improve from the depressed levels of the recession. Austria is almost the only west European country where the government and the "social partners"—capital and workers—agree on joint growth and stability policies for a specified number of years. It is largely due to this wise cooperation that Austria has one of the lowest workless rates in west Europe and one of the strongest currencies.

The prospect for the near future, possibly till nearly 1980, is a continuance of insufficient productivity, growing worklessness, with inflationary price rises for food and raw materials.

crying wolf

In circumstances where currencies sink steadily in exchange value—these have been almost tragic weeks for the British Pound—production remains insufficient, worklessness becomes for many almost a way of life and GNPs rise sluggishly it is easy to find bogeys in communist parties, in trade unions, in employers who invest too little capital to improve production or to modernize their factories. All are, probably, at fault in their various ways but too little thought is given to evolving a product which will fit into the modern work scene and be adaptable to contemporary and future requirments in production and work habits. In other words, a school or college-leaver for whom there is not only a place but who is capable of fitting into it.

This problem of new entrants to the work market with a few or almost no qualifications fitted to requirements and with mentalities unable to comprehend the new shape of industrial requirements and social demands has grown menacingly in the last decade. Into a world needing engineers, scientists and technicians come young people capable only in the humanities, in languages or in art. In this matter of fitting the work-seeker to the work-market east Europe, especially the USSR, is far ahead of west Europe. Fortyfive per cent of Soviet students are trained in engineering-related courses. The West Germans—a long way behind the East Germans in this matter—train only 20 per cent of their young people for engineering and the French, who are having a lot of student trouble again, only four per cent.

human material

If the human material coming into industry were more closely suited to it; if education in the leading manufacturing and commercial countries gave greater emphasis to studies suited to those activities and if manufacture, industrial research and commerce were placed before students as among the most worthwhile life activites a new impetus would be given to what are now often jaded and almost cynical efforts to keep west Europe's commercial reputation from becoming as outdated as its colonial past.

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The subscription list will open at the commencement of banking hours on Wednesday or earlier at the discretion of the Board of directors of the company, but not before th

Copies of the prospectus and application forms may be obtained from the registered o

HISTORY AND BUSINESS OF THE COMPANY

Introductory:

The company is a subsidiary of British India Steam Navigation Co. Ltd. (BI), a company incorporated in England which is a wholly owned subsidiary of the Peninsular & Oriental Steam Navigation Company (P & O), a company incorporated by Royal Charter in England. The P & O group is reputed to be the largest shipping group in the world. After the issue of shares pursuant to this prospectus, BI along with its nominee will hold 40% of the total capital of the company.

BUSINESS OF THE COMPANY:

Upon incorporation, the company took over the business of the partnership firm of Mackinnon Mackenzie & Co., which had been in existence in India since the eighteen fifties. Until 1956, the company acted mainly as managing agents for the BI, and was responsible for operating, manning and technical services to the ships on India based trades. The company also acts as agents at Bombay and or Calcutta for vessels belonging to the P & O group, Cunard-Brocklebank, Bankline, Elder Dempster and Waterman and several Indian companies. The company thus became wellknown both in India and abroad for expert knowledge of shipping in all its branches.

The managing agency of BI was terminated in 1956 when that company's operational headquarters moved to London. The company expanded its traditional activities of port agency, ship manning, clearing and forwarding etc. It diversified into allied activities, like air cargo, travel, tourism and shipbroking. It also assisted Indian entrepreneurs to establish and operate shipping companies. As part of its programme of expansion and diversification, the company obtained permission of the Reserve Bank of India to:

(a) enter the field of exports of seagoing craft,
(b) acquire and operate ships in its own right.

The company's project studies indicated that the Persian Gulf provided an excellent opportunity for employment of Indian built barges. As a pilot project, the company is using in the Gulf an Indian barge and is planning for the employment of more barges. The company studied in depth export potential to the Gulf of Indian built small craft such as pontoons, self propelled barges, coasters, tugs and landing craft. In less than a year, with the help of its world wide connections, the export orders totalling Rs. 2 crores and 75 lakhs have been recorded.

The company has obtained a dispensation from the Government of India to acquire a ship pending reduction of its foreign equity to 40%. Pursuant to this dispensation a secondhand 16229 DWT bulk carrier was acquired in September 1975. The Government of India's target for shipping tonnage in the Fifth Plan is 8.6 million G.R.T. in operation with 1 million G.R.T. on order. The tonnage of the Indian merchant marine at present is only 4.16 million, with 1.7 million G.R.T. on order. The Government is anxious that Indian shipping is provided with incentives to expand. The company has, therefore, developed plans for acquisition of handy-sized bulk carriers in the 15,000 to 30,000 DWT class which in the company's view are best suited to Indian port conditions and to the world wide tramp market.

In the other activities, a wider market would be available for tapping upon the company ceasing to have to operate with several restraints placed by the Foreign Exchange Regulation Act.

The company's main strength lies in its diversified range of activities. Being an ongoing as opposed to a new company and the recent profit record supports the directors' confidence for the future.

SHARE CAPITAL

Authorised:		Rs.
25,00,000	Equity Shares of Rs. 10/- each	2,50,00,000
15,00,000	Unclassified Shares of Rs. 10/- each	1,50,00,000
		4,00,00,000

(Formerly the shares were of the denomination of Rs. 100/- each, which were pursuant to a special resolution passed at the extraordinary general meeting held on 9th March, 1976 sub-divided into shares of Rs. 10/- each)

Issued, Subscribed and fully paid-up:		
10,00,000	Equity Shares of Rs. 10/- each (Shares of the total face value of Rs. 99,99,300 had been allotted as fully paid-up pursuant to a contract without payment being received in cash. The entire issued share capital is presently held by BI and its nominee)	1,00,00,000
Present Issue:		
15,00,000	Equity Shares of Rs. 10/- each for cash at par	1,50,00,000
Out of the Present Issue:		
50,000	Equity Shares of Rs. 10/- each for cash at par will be allotted to the directors' friends on or prior to the date of opening of the subscription list	5,00,000
50,000	Equity Shares of Rs. 10/- each for cash at par will be allotted to the employees of the company on or prior to the date of opening of the subscription list	5,00,000
Now offered for public subscription in cash:		
14,00,000	Equity Shares of Rs. 10/- each for cash at par (to which will be added the unsubscribed portion of 1,00,000 Equity Shares reserved for firm allotment to the directors' friends and the employees of the Company)	1,40,00,000
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On allotment	2.50
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ay, 1976, and will close at the close of banking hours on Monday the 24th May, 1976,
anking hours on Saturday the 15th May, 1976.

company, brokers, underwriters and the bankers to the issue named herein.

Jamnagar (Mandvi Tower Road), Kanpur (Karachi Khana), Mangalore, Madras (2nd Line Beach), Nagpur (Station Road), Navsari, New Delhi (Janpath), Poona (City), Surat (M.G. Road), Secunderabad, Srinagar, Tiruchirapalli Town, Vijayawada and Visakhapatnam.

STATE BANK OF INDIA,
Bombay Samachar Marg, Bombay 400 023.

OR any of its Main Offices at:

Ahmedabad (Bhadra), Bangalore (St. Mark's Road), Baroda, Calcutta (Strand Road), Chandigarh, Cochin, Jammu, Indore, Ludhiana, Madras, New Delhi (Parliament Street), Patna, Poona and Srinagar.

UNITED BANK OF INDIA,
25, P.M. Road, Bombay 400 001.

OR any of its Main Offices at:

Calcutta, Delhi, Dibrugarh, Gauhati, Jorhat, Kanpur, Madras, Shillong, Tezpur and Tinsukia.

MANAGERS TO THE ISSUE

STATE BANK OF INDIA,
Merchant Banking Division,
Central Office, Madame Cama Road, Bombay 400 020.

UNDERWRITERS TO THE ISSUE

The Equity Shares presently offered for subscription in terms of the prospectus and the shares offered to the directors' friends and the company's employees have been fully underwritten as follows:

INSTITUTIONS & BANKS	Amount Underwritten (Rupees in Lakhs)
The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay 400 020	12.00
Life Insurance Corporation of India, "Yogakshema", Jeevan Bima Marg, Bombay 400 020	10.00
Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay 400 001	8.00
General Insurance Corporation of India, Industrial Assurance Building, Churchgate, Bombay 400 020	2.50
National Insurance Co. Ltd., 3, Middleton Street, Calcutta 700 016	5.00
New India Assurance Co. Ltd., New India Assurance Building, Mahatma Gandhi Road, Bombay 400 023	2.50
Oriental Fire & General Insurance Co. Ltd., A-25/27 Asaf Ali Road, New Delhi 110 001	4.00
United India Fire & General Insurance Co. Ltd., Maker Bhavan, 1, Marine Lines, Bombay 400 020	6.00
Bank of Baroda, "Baroda House", Cawasji Patel Street, Bombay 400 001	5.00
Bank of India, Express Towers, Nariman Point, Bombay 400 020	27.75
Bank of Madura Ltd., East Veli Street, Madurai 625 001	5.00
Bank of Maharashtra, Bombay Samachar Marg, Bombay 400 023	9.00
Central Bank of India, Chander Mukhi, Nariman Point, Bombay 400 021	10.00
United Bank of India, 16, Old Court House Street, Calcutta 700 001	7.50
Industrial Investment Trust Ltd., 61, Bombay Samachar Marg, Bombay 400 023	3.00
Investment Corporation of India Ltd., Ewart House, Homi Mody Street, Bombay 400 023	3.00
OTHERS	
BOMBAY	
BABUBHAI MAGANLAL GANDHI, Stock Exchange Central Building, Dalal Street, Fort	0.25
BATLIVALA AND KARANI, Union Bank Building, Dalal Street, Fort	0.75
BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupen Chambers, Dalal Street, Fort	1.00
CHIMANLAL MANEKLAL, 45, Tamarind Street, Fort	0.25
D. S. PURBHOODAS & CO., Stock Exchange, Bombay Samachar Marg	1.00
DALAL & BROACHA, Stock Exchange, Dalal Street, Fort	0.25
HARISH CHANDRA GUTT & CO., 45-47, Bombay Samachar Marg	0.75
JAMNADAS MORARJEE & CO., 5-A Hamam Street	1.50
JASVANTLAL CHHAGANLAL, Bhupen Chambers, 9/10, Dalal Street	0.25
JASVANTLAL CHHOTALAL & CO., Bhupen Chambers, Dalal Street	0.50
L. K. PANDAY, Bank of Maharashtra Bldg., 45/47 Bombay Samachar Marg	1.00
LEWIS & JONES, Bank of Baroda Building, Bombay Samachar Marg	0.50
MERWANJEE BOMANJEE DALAL, Allahabad Bank Building, Bombay Samachar Marg	0.75
NARENDRA M. DALAL, Stock Exchange, Dalal Street	0.25
PORECHA BROTHERS, 19, Stock Exchange Building, Bombay Samachar Marg	0.50
PRABHUDAS LILLADHER, Stock Exchange, 5-A, Hamam Street	1.50
VALJI BHIMJI & CO., 24, Stock Exchange Building, Dalal Street	1.50
CALCUTTA	
BRIJNATH KHANDELWAL & CO., 13, India Exchange Place	1.00
C. MACKERTICH, 7, Lyons Range	0.25
DAYCO, 7, Lyons Range	0.25
G. M. BOSU, 7, Lyons Range	0.25
M. M. MURARKA & CO., 7, Lyons Range	0.75
PLACE, SIDDONS & GOUGH (PRIVATE) LTD., 6, Lyons Range	1.50
DELHI	
BEHARILAL & CO., 15, Stock Exchange, Asaf Ali Road	0.25
BHARAT BHUSHAN & CO., H-45, Connaught Place	1.50
H. P. MEHTA & CO., 304, Surya Kiran, Kasturba Gandhi Marg	1.00
HARBANS SINGH MEHTA & CO., 33, Regal Building, Parliament Street.	1.25
J. C. MEHTA & CO., 44, Stock Exchange, Asaf Ali Road	0.75
J. S. SAHNY & CO., 25, Stock Exchange Bldg., Asaf Ali Road	0.25
JALAN & CO., Stock Exchange Building, Asaf Ali Road.	1.00
R. K. CHUGH & CO., 6-54, Stock Exchange Building, Asaf Ali Road.	0.25
R. K. RELAN & CO., United India Life Bldg., F. Connaught Place	0.50
RAJA RAM BHASIN & CO., Jewan Mansion, 8/4, D. B. Gupta Road	0.75
SURINDER RODE & CO., 3, Stock Exchange, Asaf Ali Road	0.25
VINOD KUMAR & CO., A-6 Connaught Place	1.50
MADRAS	
CHITRA & CO., 322/323 Linghi Chetty Street	0.25
AHMEDABAD	
CHAMPAKLAL BHAILAL CHOKSHI Manek Chowk, Near Share Bazaar.	0.50
LAXMINARAYAN N. GUPTA & CO., Anandji Kalyanji Building, Relief Road	0,50
BANGALORE	
JAHGIRDAR & CO., 21, II Main Road, Seshadripuram	0.50
M. NANJAPPAIAH JAHGIRDAR, 205, Cavalry Road	1.00
VIJAI & CO., No. 9, 11th Main Road, Malleswaram	0.50
HYDERABAD	
LAXMI NARAYAN RATHI, 4-5-173, Hashmat Gunj, Sultan Bazar.	0.25
P. B. AFZULPURKAR, 4-5-195 Sultan Bazar	0.25
INDORE	
PUSHKARLAL GHUDAWALA, 44, Bada Sarafa	0.25
	150.00

BROKERS TO THE ISSUE: The underwriters under the heading 'OTHERS' have also agreed to act as brokers to the issue.

IMPORTANT

How to Apply

A. Obtain copies of prospectus and application forms from the Registered Office of the company, any of the brokers, underwriters and bankers to the issue listed above.

B. Complete and sign the application form (applications must be for 50 shares or multiples thereof). Deliver applications and cash or cheques to the bankers to the issue or any of their branches shown above. Cheques or drafts should be on banks at the places where they are despatched by post or delivered by hand.

ISSUE OPENS: Wednesday, 12th May 1976
ISSUE CLOSES: Monday, 24th May 1976
or EARLIER BUT NOT BEFORE
Saturday, 15th May 1976.

Issue managed by
STATE BANK OF INDIA
Merchant Banking Division

CMMM-8.258

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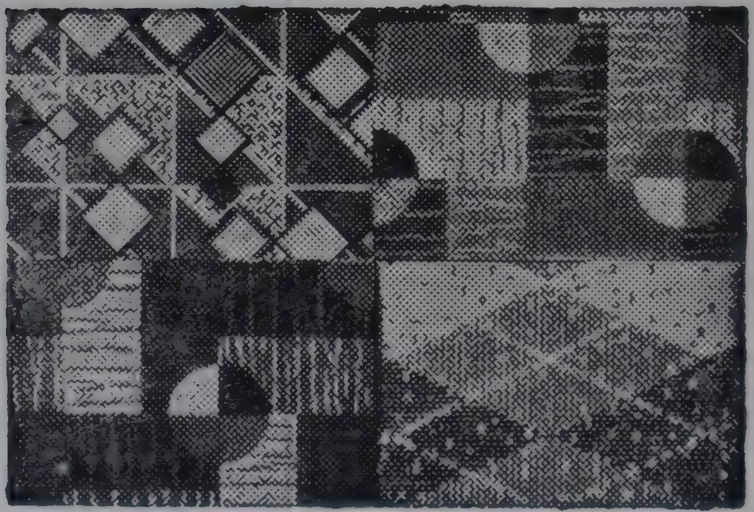

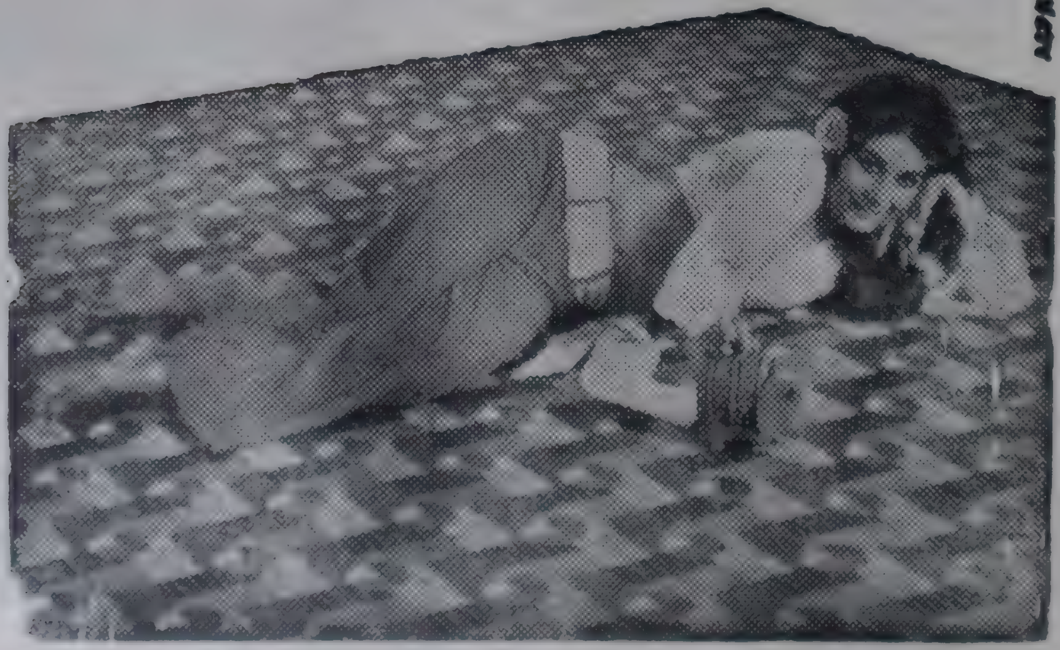

TRADE WINDS

Dry Batteries

THE CENTRAL government's budget for 1976-77 provided a number of incentives and tax reliefs. A section of the dry battery manufacturers—those manufacturing metal clad batteries—was given a five per cent relief in excise duty (from 25 per cent to 20 per cent) on finished products. The reason advanced for this preferential treatment was that the new entrants in this industry who had taken up the manufacture of metal clad batteries, were under financial strain.

A spokesman of the Indian Dry Battery Manufacturers' Association stated in the capital recently that the excise relief was discriminatory because some of the manufacturers of paper clad batteries had also been under financial stress. It was stated that Estrela and Geep—two well-known manufacturers—had been making no profit. Estrela had made no profit for two years in a row while Geep had shown steady erosion of profits with loss during the year 1975-76. In short, the problem of financial loss was not confined to the metal clad batteries manufacturers alone.

On the other hand Toshiba Anand, a metal clad batteries manufacturer had made a profit of Rs 4.34 lakhs during the year ending September 30, 1975. It was therefore argued that if the relief was given due to the financial stress faced by the manufaturer, it was justified for the total industry including the older manufacturing units which employed more than 10,000 persons.

Some of the manufacturers used cellusose acetate or polyester for the covering of the battery and it gave as good performance as the metal clad one. They were being sold almost at identical prices before the relief was provided by the budget. These leak-proof batteries have sturdy internal construction and are covered with four layers of polyethylene and an anti-corrosion polyester or cellulose acetate jacket, thus avoiding the use of imported tinned plate as is the case with metal clad batteries. A large quantity of such batteries are being currently exported. Because such batteries are likely to lose a part of the domestic market to the metal clad ones due to the new relief in excise duty, the capacity of the exporting units to bear losses on exports has been reduced. Consequently, this discriminatory relief in excise duty is likely to jeopardise the export of dry batteries. The spokesman of the Indian Dry Battery Manufacturers therefore pleaded that the relief which the government had granted should cover both the metal clad and the polyester clad batteries.

Indo-Rumanian Trade

Indo-Rumanian trade will be doubled to Rs 200 crores by 1980. A protocol to this effect was signed in New Delhi an April 28 by the Petroleum minister, Mr K.D. Malaviya, and the Rumanian Metallurgy minister, Mr N. Agachi, who are co-Chairmen of the Indo-Rumanian Joint Commission. Both described the protocol as "a document of great importance." They also signed a three-year executive programme for cooperation in science and technology.

Fertiliser Prices Reduced

The union ministry of Agriculture and Irrigation has announced a further reduction in the prices of imported phosphatic and complex fertilizers. These reductions are in addition to those announced on Mar 16, 1976.

The latest price reductio are applicable to four typ of fertilizers. The reta price of di-amm-phosphat has been brought dow from Rs 2600 per tonne t Rs 2210 per tonne. NP (15-15-15) will now sell a Rs 1570 per tonne agains Rs 1645 per tonne. The pric of NPK (17-17-17), whic was brought down fron Rs 2425 per tonne to Rs 212 per tonne on March 16 las will now be further reduce to Rs 1970 per tonne. Th price of ANP (24-24-0 which was Rs 2650 pe tonne before March 16 anc Rs 2295 per tonne since ther has been fixed at Rs 227 per tonne.

The current retail prices of these fertilizers from the central pool compared to the retail prices in the corresponding period of last year are as shown in the below.

The prices of various types of fertilizers have been brought down more than once in the last year, the first reduction having been made on July 18, 1975, the second on December 1,

Fertiliser Prices

(Rs per tonne)

Fertilizer	Price in corresponding period of last year	Current price
Di-Amm-Phosphate	3,005	2210
ANP (24-24-0)	3,080	2270
NPK (15-15-15)	1,700	1570
NPK (17-17-17)	2,590	1970

1975, the third on March 16, 1976 and now again.

Namrup Expansion

The Namrup Expansion Project of the Fertilizer Corporation of India has gone into production. The plant started producing ammonia for the first time on April 23, 1976. Urea production is expected to follow in a few days. The Planning & Development Division of the Fertilizer Corporation of India did the complete design and engineering of the plant. Licence and processs design for the Vetrocoke C02 removal section, ammonia synthesis loop and urea synthesis were obtained from Tecnimont of Italy. The Planning & Development Division was also responsible for procurement, inspection of equipment, supervision of erection and commissioning of the project. Site construction was carried out by FCI's Project Organisation at Namrup.

Indo-Tanzania Agreement

A formal agreement between India and Tanzania was signed in Dar-es-Salam recently under which the two countries would cooperate in the establishment of 52 small-scale industrial projects in the rural areas of Tanzania. The small-scale industrial projects will be expeditiously completed. The assistance includes supply, installation and commissioning of plant and machinery, training of Tanzanian personnel in India and the deputation of Indian experts and technicianns. It was agreed that small projects to meet the ancillary needs of existing industrial projects in Tanzania would also be established at the earliest. According to the agreement, measures would also be taken to establish common facilities-cum-training-cum-service centres to provide necessary technical support for industrial programmes of the government of Tanzania.

Unauthorised Mining Banned

An ordinance prohibiting unauthorised mining of coal has been promulgated by the President on April 29, 1976. The ordinance amends the provisions of the Coal Mines (Nationalisation) Act 1973, to meet adequately the situation created by certain private parties taking up unauthorised mining operations. With the promulgation of the ordinance all unauthorised mining of coal was expected to cease forthwith. The ordinance would help in the healthy development of the nationalised coal industry. It provides that all persons engaged in unauthorised coal mining "shall be punishable with imprisonment for a term which may extend to two years and also with fine which may extend to Rs 10,000."

Among the exceptions to the ordinance were: the central government or a government company or a corporation owned, managed or controlled by the centre or sub-lesse of the government company or corporation or a company engaged in the production of iron and steel. All other coal mining leases in force immediately before the commencement of the ordinance "shall stand terminated."

Railway Construction Company

A new company known as the Indian Railway Construction Company Pvt., Limited has been set up in the public sector under the ministry of Railways. The company has been formed with the object of taking up, on a turn-key basis in India and abroad, the construction of new railway lines, setting up of production units for the manufacture of rolling stock, signalling and telecommunication equipment, construction of locomotive repair shops and maintenance depots, modernisation of existing signalling and tele-communication systems and other railway works. The authorised capital of the company is Rs 10 crores and the paid up capital is one crore of rupees.

Madhya Pradesh Abolishes Octroi

The Madhya Pradesh government's decision to abolish the age-old octroi came into effect at midnight of April 30. Four ordinances have been promulgated replacing the levy with alternative sources of revenue. Under these, property tax has been made over to civic bodies. The rate of turnover tax has been increased from 0.4 per cent to 1.25 per cent, while a new levy called entry tax has been introduced. Its rate is 1.25 per cent of the value of goods entering a municipal area. This will be collected by the sales tax department and made over to the local bodies. The octroi revenue of all civic bodies in MP is estimated at Rs 18 crores. The new levies, announced are expected to make good the octroi loss of the civic bodies.

Changes in IMF Rules

India has voted for comprehensive amendments to the articles of arrangement of the International Monetary Fund (IMF) providing for the reduction in the role of gold and exchange arrangements of each country's choice, subject to firm surveillance by the Fund.

The package of amendments is described by the Fund as an important step in the evolutionary process of international monetary reform. These changes had been proposed by the Fund's interim committee at its meeting in Kingston (Jamaica) in January last.

The board of governors of the Fund, namely the Finance ministers of member-countries, were to cast their votes on the resolution setting out the amendments by mail by April 30. A majority of votes cast is required for approval by the board of governors as a whole.

The amendments will be later submitted for acceptance to member-countries, and in many cases legislative approval will be required. The entire procedure for ratification of amendments by member-countries is likely to take 12 to 18 months.

The amendments provide

for elimination of the functions of gold as common denominator of the par value system, abolition of official prices of gold and stoppage of obligatory payment in gold by the members of the Fund.

Thus, gold will no longer be the common denominator of the par value system or the unit value of SDR (Special Drawing Rights).

Joint Ventures

The government has approved 134 proposals for India's joint ventures with other countries till the end of December 1975. Of these, 64 have already gone into production and 70 are under active implementation. The approved investment in these projects is of the order of Rs 32.8 crores.

The joint venture covers a wide field of projects such as textile mills, jute mills, oil mills, sugar mills, pipes and pumps, hard board, cork products, engineering goods, electric fans and sewing machines. The list further includes razor blades, asbestos, cement products, steel furnitures, pharmaceutical products, cosmetics, paper plants, re-rolling steel mills, glass factory, electric motors and transformers, diesel engines, vanaspati plant, confectionery and setting up of Indian hotels and restaurants.

While majority of the projects, which have been or are being established, are for locating in African and South-East Asian countries, some cover the developed countries of West Europe and North America. The ventures initiated in these advanced countries include plants of oil engines, hardboard, asbestos, cement and magnet wires.

In addition to the industrial manufactures, as fields for joint venture collaborations, the service ventures, consultancies, trading and marketing ventures are also being explored.

Besides, the usual advantages of providing a ready market for capital goods, recurring exports of raw materials, semi-processed goods, spare parts and components, the investment in the joint ventures abroad effectively serves to retain the export markets and open up new areas for exports.

Rural Development

The two-day symposium on industry and rural development, organised by the Associated Chambers of Commerce and Industry, ended in New Delhi on April 24, with the participants undertaking a commitment to involve industrial and business houses in rural development.

Twelve specific areas where industry can assist in improving the standard of people living below the poverty line in rural areas were identified at the symposium.

The president of the association, Mr Akhar Hydari, announced at the concluding session that a permanent committee would be set up in the chamber to study the action programmes suggested at the symposium and give directions to constituent units to implement the programme.

The areas are: Adoption of villages; formation of consortium of companies to deal with the specific problems of specific areas; efforts to increase productivity per hectare through assistance by individuals or associations; helping agro-centres; starting linkage effect industries which are labour intensive in rural areas; releasing finance for conceptual activities; contribution to research and development either collectively or individually; spreading the message of family planning and water conservation; evolving equitable price structure between agriculture and industry; Identification of projects at district level; training programmes for people in rural areas; and assist in development of appropriate technology for rural areas.

Dr M.S. Swaminathan, Director-General of Indian Council of Agricultural Research, and Mr I.J. Naidu, Secretary, Department of Rural Development, had agreed to participate in the deliberations of the committee.

Mr H.P. Nanda, incoming president of the chamber, said that a separate cell would be created at the headquarters of Assocham to follow up the recommendations. He announced a donation of Rs 1 lakh towards meeting the expenditure of this cell.

Satellite Tracking Station

The Department of Space is setting up a satellite tracking station at Kavaloor in Tamil Nadu with Soviet collaboration to study closely the earth in relation to other planets. India and the Soviet Union had recently entered into an agreement for the setting up of the station at the Indian Institute of Astrophysics at Kavaloor. The station would be ready for tracking by the end of the year.

New Mineral Reserves

The Mineral Exploration Corporation is conducting a number of detailed explorations with major emphasis on coal, because of energy crisis. Its main activities for coal are confined to Godavari; Panch Kanhan, Wardah Valley coal fields in Madhya Pradesh and Maharashtra and in the Raniganj and Jaharia coal fields in in Bengal-Bihar region. The corporation has about 20 coal investigations in hand at present. It has drawn up a blueprint of exploration activities for proving coal deposits to meet the increasing demands for coal in years to come.

The corporation has also been entrusted with the high priority exploration of the east-coast bauxite project extending from Orissa to AP. Its other investigations include: (i) Exploration for iron ore at Chiria (Phase 1) in Bihar on behalf of the Iron Ore Board. (ii) Cement grade limestone at

Walayar on behalf of the Kerala government. (iii) Copper at Malanjkhand in Madhya Pradesh and Mailaram in Andhra Pradesh on behalf of Hindustan Copper Limited and Andhra Pradesh government respectively. The corporation is also conducting investigations for lead-zinc at Paduna and Raj pura-Dariba in Rajasthan, at Shiskkhani in UP and at Zangamarajupalle in Andhra Pradesh and for bauxite at Kalyanpur in Gujarat and Chintapalle in Andhra Pradesh.

Electro-Chemical Research Centre

Union Carbide's Electro-Chemical Research Centre was inaugurated in Calcutta recently. The centre will engage in the technological investigations directed to closer understanding of the electro-chemistry of a dry cell, to the design and development of fishlights and to the products such as photo-engravers' plates, cinema carbons, gouging electrodes and other shaped carbon products.

IDPL

The state-owned Indian Drugh & Pharmaceuticals Ltd. achieved an all time high production of Rs 61 crores comprising of Rs 31 crores worth of essential and life saving bulk drugs, Rs. 30 crores worth of formulations and Rs 50 lakhs worth of instruments. This represents a net growth rate of 36 per cent for IDPL as compared to and average of 15 per cent of the drug Industry. The corresponding sales turnover for the year is Rs 58.7 crores representing a growth rate of 28 per cent. The company has earned a net profit of Rs 273 lakhs in 1975-76 as against Rs 249 lakhs in the previous year. The slightly lower percentage of profit for this year has been due to the fact that the company did not raise the price for any one of its products inspite of higher cost of raw-materials and higher incidence of production costs, wages & salaries, power, fuel, excise, interest etc.

Due to this significant rise in production, IDPL has contributed towards self-sufficiency in the production of essential bulk drugs. Indeed its own imports have gone down by as much as 25 per cent. Also for the first time, the antibiotics plant at Rishikesh has attained a break-even point.

IDPL is now engaged in expanding its production activities for leading the country forward towards self-sufficiency in the production of important drugs and pharmaceuticals. Production facilities at its synthetic drugs plant at Hyderabad are being expanded from the present capacity of 1900 tonnes to about 3400 tonnes and at the antibiotics plant at Rishikesh, production of antibiotics is scheduled to be doubled during the fifth Plan period. Setting up of the two new units, one for the production of basic drugs at Bettiah in Bihar and the another for formulations at Gurgaon in Haryana, is scheduled to begin in the current year.

In Brief

The Asian Development Bank ADB accepted on April 21, 1976 from the government of Austria its Instrument of Contribution of Austrian schillings 114 million (equivalent to US $6.9 million) to the Asian Development Fund (ADF).

The Asian Development Bank has approved a loan of US$23.6 million to the Public Utilities Board (PUB) of Singapore for the second water supply project. The Bank of America (BOA) has agreed to extend a loan of US$5.0 million to the PUB for this project under a co-financing arrangement with the ADB. The total cost of the project is estimated at US s 62.2 million of which US s 28.6 million represents the foreign exchange component that would be financed under the ADB and the BOA loans. The project aims at expanding indigenous water supply sources and supporting facilities to help meet Singapore's domestic, commercial and industrial water demand up to 1985.

The country's widest Hot Strip Mill, at Bokaro, was formally inaugurated by the prime minister Mrs Indira Gandhi on May 1.

The stamp of Hindustan Steelworks Construction Ltd. (HSCL) which today is the biggest construction company in the country, is immediately discernible at Bokaro, the construction and commissioning of which involved civil engineering works, structural fabrication and erection, refractory works, erection of electrical and mechanical equipment and laying of all out door and technological pipelines. HSCL can take credit for having carried out all these jobs primarily through departmental labour.

Names in the News

Mr Sisir Mitra Managing Director of Cyanamid India Ltd., has been elected president of the Organisation of Pharmaceutical Producers of India (OPPI), Bombay, for 1976-77.

Mr C.D. Khanna, former chairmaen of Industrial Finance Corporation of India has joined the board of directors of **Swedeshi Polytex Ltd.**, in place of Mr R. Venkatraman.

Mr Bansi Dhar, a director of **Delhi Cloth and General Mills Ltd.**, has been elected chairman of the Vanaspati Manufacturers' Association of India for 1976-77.

Mr H. C. Kothari was elected as Chairman of the All-India Manufacturers' Organisation (Tamil Nadu State Board) for the year 1976. Mr H. C. Kothari is a Managing Director of Kothari (Madras) Ltd.

Mr Ashok Goenka has been appointed Chairman-cum Managing Director of the United India Fire and General Insurance Company Limited, a nationalised insurance company. Mr Goenka was previously General Manager of the General Assurance Society Limited. After nationlisation he was the General Manager of the National Insurance Company Limited.

COMPANY AFFAIRS

irlon Synthetic

IRLON SYNTHETIC Fibres nd Chemicals Ltd, is entering the capital market on May 25 with a public issue of 790,000 equity shares of Rs 10 each at a premium of Rs 22.50 per share. The primary purpose of the public issue is to list the company's shares on the Bombay Stock Exchange and utilise the proceeds of the issue amounting to Rs 2.57 crores for financing the company's depolymerisation project estimated to cost Rs 1.92 crores. The object behind the installation of the depolymerisation plant is to recover unreacted caprolactum from the waste yarn obtained during normal manufacturing operations. This would lead to increased efficiency and reduction in costs of raw materials consumption and also enhance raw material availability.

New Activity

The company is also venturing into a new line of activity for the manufacture of conveyer belts. This plant will have a capacity to produce 1200 tonnes of conveyer belts and 12 lakh fan and V belts per annum. The project will be set up at Roha, a backward area in the state of Maharastra. This is likely to be a profitable venture in view of the acute shortage of conveyor belts in the country.

The company has been declaring very high rates of dividends during the past few years. It paid a dividend of 40 per cent for 1974-75 and it is likely that the distribution may be maintained or even enhanced in the coming years. Considering its excellent past record, high profitability, huge reserves and anticipated growth, expansion and diversification in its manufacturing activities, the response to the public issue is expected to be extremely encouraging.

Union Bank of India

Mr Pranab Kumar Mukherjee, union minister for Revenue and Banking, declared open the Union Bank of India's branch on April 25, 1976 at Bishnupur. The branch at Bishnupur will be Union Bank's second branch in Birbhum district and the bank's 18th branch in West Bengal state.

On the eve of nationalisation, the bank had 17 branches in the eastern region, comprising of the state of Assam, Bihar, Orissa and West Bengal, and Tripura. During the 6½-year period of post-nationalisation, the bank has more than tripled its branch network in this region, bringing the total number of branches to 56 by end December 1975. Of the 39 branches opened during this period, as many as 31 were in the rural and semi-urban centres. During the same period, the deposits of the bank in the region increased from Rs 9.96 crores (as of June 1969) to Rs 44.09 crores (as of December 1975), registering more than four-fold increase.

Credit-Deposit Ratio

The credit extended by the bank in the eastern region has more than doubled during this period, from Rs 10.47 crores (as of June 1969) to Rs 23.25 crores (as of December 1975). The bank maintained credit-deposit ratio of about 57 per cent in the region during this entire period. The bank's priority sector advances (excluding exports) in the eastern region have increased sharply during the post-nationalisation period, the figure rising from Rs 1.32 crores (as of June 1969) to Rs 7.93 crores (as of December 1975). Consequently the share of priority sector advances (excluding exports) in the total advances has gone up from 12.62 per cent as of June 1969 to 34.12 per cent as of December 1975. It is noteworthy that the bank's share of priority sector advances is more than 50 per cent in the backward states of the region, viz: Assam, Bihar and Orissa.

A few months back, Union Bank of India's innovative, Night Banking Service was introduced at the bank's three branches in the Calcutta metropolis, viz. Ezra Street, Shyom Bazar and Ballygunj. The bank is also considering extension of this facility to some other branches, in view of the encouraging response from the public.

Sandvik Asia

Sandvik Asia Limited has recently been granted an industrial licence to step up substantially its present manufacturing capacity.

The company is a subsidiary of the world-wide Sandvik Group which is a pioneer in the field of tungsten carbide for metal cutting and metal forming applications, rock drilling products and speciality steels. Sandvik Asia Limited was incorporated in 1960 with a licensed capacity of 24 tonnes per annum which was subsequently increased to 84 tonnes per annum in 1965.

Within the terms of the industrial licence now received by the company, it is proposed to further increase this capacity of 84 tonnes per annum to a level of 150 tonnes per annum.

While implementing the expansion programme the company will also increase its production of tungsten carbide cutting tools, wear-resistant and rock drilling products.

The company has also planned to modernise some of its manufacturing facilities and this will enable the company to introduce some of the latest processes and techniques, such as the titanium coating of carbides which are not presently in use in the country.

The growth of the company since its inception has been rapid and the turnover for the year ended December 31, 1975, is of the order of Rs 147 millions. Exports by the company have also been impressive and it has received recognition certificates for its export efforts from the Engineering Export Promotion Council and the government of Maharashtra. The company has agreed to a stipulation by the government that 60 per cent of the additional products manufactured are to be exported.

IFFCO

During the cooperative year 1974-75, Indian farmers Fertiliser Cooperative Ltd (IFFCO) commenced commercial production at all the three plants, namely NPK plant at Kandla and the Ammonia and Urea plants at Kalol. The total cost of these plants as finally computed came to Rs 97.58 crores, as against the original estimates of Rs 91.60 crores—the small over-run being largely due to increases in customs duty and interest accruals on account of slight delay in commencement of production.

In so far as financing of this 'over-run' of Rs 6 crores is concerned, Rs 1.3 crores have already been collected from the shareholders by way of additional subscriptions to the share capital. For the remaining amount, the LIC and IDIB have agreed to contribute Rs 2.35 crores each.

The total production of ammonia, urea and NPK for the period November, 1974 to June 1975 amounted to 62,900, 56,400 and 60,000 tonnes respectively.

Buyer's Market

Though the IFFCO's plants commenced production at a time when fertiliser market changed over from a seller's to a buyer's market and there was tremendous resistance among farmers to the purchase of fertilisers on account of very heavy increase in their prices, it was able to sell by June, 1975, 36,241 tonnes of urea and 29,827 tonnes of NPK. In addition, it also sold 10,775 tonnes of amonia to FCI and sundry buyers. Thus IFFCO was able to do because of its intensified programme of promotional activities at the grass-root level through a field force of more than 250 highly trained and motivated agricultural graduates.

IFFCO, during 1974-75, laid out 519 crop demonstrations, organised 148 field days and 604 farmers meetings, adopted 16 villages in different states and conducted training for about 6,000 cooperative salesmen at 150 sales-points.

During 1974-75, the Phulpur plant of IFFCO made substantial progress. The feedstock for this plant was changed from fuel oil to naphtha. This change over was approved by the government of India and the World Bank.

The selection of main contractors for the plant was completed. The agreement for construction, supervision and engineering of urea plant was signed with M/s Snamprogetti of Italy, for steam, power plant and offsites with Messrs Development Consultants and for ammonia plant with Messrs Kellogg International Corporation of the USA.

The designs of townships are ready and construction work has commenced. Plant and machinery is expected to arrive starting from July, 1977. Site works will be in good progress by then and the project is expected to be completed and in production by early 1979.

Kores

The Kores Business Machines and Systems Division has announced the introduction of India's first fully automatic copier, the KOREFAX. This division had in August 1971 pioneered the indigenous manufacture of the first Xerographic Copier for industrial and business applications.

The KOREFAX, the completely automatic table-top, flat-bed copier, shall meet the need for clear and sharp copies at the rate of a copy every six seconds. Being a flat-bed copier, copies could be made of any written or printed matter drawings or half tones, from single sheets, books to three dimensional objects. The roll of paper used for obtainining copies is automatically cut by a random length cutter, to size of the original. Adjustment of the length of this paper could be made to between 148 mm, ar 364 mm, an advanta not existing in conve tional copiers. KOREFA also has an automatic sy tem, to obtain the requir number of copies.

Sandoz

Sandoz (India) Ltd, ha reported substantial improv ment in its working resu during the year ended De cember 31, 1975. The gros turnover advanced by 19. per cent to Rs 23.47 crore from Rs 19.59 crores in 197 while the profit after tax anc tax adjustments too recorded a smart rise to Rs 0.69 crore from Rs 0.55 crore in the preceding year. The directors have recommended a dividend of 12 per cent pe equity share of Rs 10 for 1975. The dividend however is payable on the enlarged capital of Rs 1.88 crores.

Larsen & Toubro

Mr S.B. Chavan, chief minister of Maharashtra laid the foundation stone of the state's largest dairy products plant at Udgir, in Osmanabad district, on April 25, 1976. The plant, to be erected by Larsen & Toubro Limited (L&T), will have a production capacity of 16 tonnes per day—the product mix comprising milk power, butter and ghee. Included in L&T's supply for the Udgir milk powder plant are evaporating and drying plants and service equipment for steam raising and refrigeration. L&T will also carry out the entire mechanical and electrical erection. The Udgir milk powder plant is expected to boost he dairy economy in this backward area of Maharashtra.

Tata Chemicals

During the nine months ended March 31, 1976, the sales (inclusive of excise duty) of all products of Tata Chemicals were appreciably higher at Rs 25.93 crores and it exceeded the turnover of the corresponding period of the previous year by Rs 1.02 crores or 4.1 per cent. Among the company's major products the output of soda ash during the nine months at 235,591 tonnes was higher by 17,498 tonnes (8.0 per cent) over the similar period of last year.

Rajasthan Financial Corporation

Out of the total loan sanctioned by the Rajasthan Financial Corporation, more than 58 per cent share has gone to the units being set up in industrially backward district of the state in the financial year ended on March 31, 1976. Thus the corporation's endeavour to remove regional imbalance by giving incentives and concessions to entrepreneurs establishing industries in backward areas of the state gained further momentum.

RFC sanctioned a sum of Rs 4.66 crores to 136 industrial projects located or to be located industrially backward districts of the state in 1975-76 as against Rs 3.22 crores to 80 industrial units in 1974-75, showing an increase of 45 per cent in the amount of loan and 70 per cent in the number of units.

The corporation has sanctioned loans aggregating more than Rs 8 crores to 289 industrial units in 1975-76 as compared to the total assistance of Rs 7.06 crores sanctioned in the preceding year. RFC has disbursed a sum of Rs 3.87 crores in the year 1975-76 as against Rs 2.83 crores in the previous year showing an increase 36.75 per cent in disbursement.

IFCI

The Industrial Finance Corporation of India (IFCI) has decided to augment its resources by a fresh issue of bonds for Rs 17.5 crores from May 10, 1976.

The corporation has already issued 20 series of bonds since 1952 for an aggregate amount of Rs 155.43 crores but of which the amonut outstanding is Rs 127.19 crores.

The present six per cent 1986 bonds are fully guaranteed by the central government as to repayment of principal and payment of interest, and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act.

The issue price will be Rs 99 for every Rs 100 of the bonds applied for.

The subscription list will open on May 10 and will close on May 12 or earier as soon as the issue is fully subscribed. Applications will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.

The corporation has sanctioned assistance to industry all over the country in a variety of ways such as loans in rupees and foreign currencies, guarantees for deferred payments in respect of imported and indigenous machinery and for foreign currency loans and underwriting of subscription to issue of share capital and debentures.

The total assistance sanctioned up to March 31, 1976, was of the order of Rs 545.58 crores to 776 industrial projects covering a large variety of industries. The total assistance disbursed amounted to Rs 465.67 crores, as on the same date.

Over the years the IFCI has built up reserves of the order of Rs 22.11 crores against its paidup capital of Rs 10.00 crores.

Unit Trust

During the first three months of the current year i.e. January-March 1976, units of the face value of Rs 3.35 crores were sold under the unit scheme with 4,183 new investors joining the Trust as compared to Rs 3.07 crores under 3,233 applications during the corresponding period of the last year. Sale of units to non-residents during the quarter amounted to Rs 13.56 lakhs. Repurchases during the quarter were of the order of Rs 2.33 crores, (Rs 3.69 crores).

During the first nine months of 1975-76 (July '75-March '76) total sales of units amounted to Rs 16.23 crores as against Rs 12.89 crores during the corresponding period last year. Repurchases at Rs 10.18 crores were considerably lower than those of last year. As a result, there was a net inflow of Rs 6.05 crores.

As at the end of March 1976, units of the face value of Rs 161.37 crores were outstanding under more than six lakh accounts.

The sales of Capital Unit Scheme 1976 launched from January 1, 1976, aggregated Rs 6.59 crores under 15,761 applications.

MAMC

At the extraordinary general meeting held on April 27 resolutions for reorganisation of the capital structure of Mining and Allied Machinery Corporation Ltd (MAMC) were passed. The government has granted sanction for strengthening the capital structure of MAMC by increasing the paid-up share capital from the existing level of Rs 20 crores to Rs 43.8 crores. The capital reorganisation will help in further improving the viability of its operations in the furthcoming years.

For enhancement in production, MAMC revised its target production for 1975/76 upwards to Rs 29.67 crores. The actual production for 1975/76 was 102 per cent of the revised target and reached a record figures of Rs 30.25 crores. Not only is the production well above the increased target, it is also 20 per cent higher than the production for the previous year. The increase in production and sales during 1975/76 is expected to result in a higher profit for the year.

The indigenous manufacturing programme of the corporation has saved foreign exchange to the tune of Rs 25 crores upto the year 1975-76. The corporation has set itself a target of exports and are in fact currently negotiating for exports of MAMC products from India to third countries.

In response to the prime minister's 20 point programme, amongst other activities being implemented, the corporation this year also proposes to provide engineering extension services to five selected villages—so that ancillary workshops in these villages, apart from working for MAMC, will be able to progressively meet the light engineering requirements of the villages and their surrounding areas, especially in regard to those items which are essential for the betterment of the village communities.

News and Notes

Sunil Synchem Ltd. will manufacture, for the first time in India, 'Lock' capsules at the company's hardshell gelatine capsule plant at Alwar, Rajasthan. The Re 1 crore plant is the first in the north manufacturing gelatine capsules. The lock capsules have distinct advantages over the standard two piece capsules. Lock capsules gives less rejection on filling machine and also prevent loss of drugs in vitals and strip packs. The company has entered into sales agreement with Mylan Pharmaceuticals of Pittsburgh for the export of these capsules.

The Thana Works of **Voltas** has been adjudged as the "Best Establishment" in the 16th All India Skills Competition for apprentices held recently. It is the second time in succession that the voltas works has won this distinction. The company will be awarded the President's running trophy. The Thana works of voltas manufactures air conditioning & refrigeration equipment, drilling & mining machinery and materials handling equipment including fork lift trucks. It has an up-to-date training centre for apprentices.

New Issues

Keltron Component Complex Ltd., a joint sector company, is coming to the market with a public issue of 7,00,000 equity shares of Rs. 10 each and 20,000 preference shares of Rs. 100/- each. The company's public issue opened for subscription on May 5, 1976. The issue is being made for part-financing the project for the manufacture of 18 million numbers of Aluminium Electrolytic Capacitors per annum of industrial and consumer grades at Keltron Nagar, Mangatparamba, Kalliasseri, Cannanore, a notified industrially backward district of Kerala. The public issue of Rs 90 lakhs, which is being managed by the Merchant Banking Division of State Bank of India, is fully underwritten.

The company has been promoted jointly by Kerala State Electronics Development Corporation Limited (KSEDC) and Kerala Employment Promotion Corporation Limited (KEPCO) both fully-owned Kerala state government companies. KSEDC, a company well-known for its professional management, has successfully promoted several other companies for manufacturing various types of electronic components, equipment and systems.

The project is being set up in technical collaboration with N.V. Sprague Electromag Belgium S.A., a wholly owned subsidiary of Sprague Electric Co. of North Adams Massachusetts, USA., one of the world's pioneers in the capacitor field. It will provide technical know-how for the manufacture of aluminium electrolytic capacitors and training to Indian technical personnel at th Sprague plants abroad. I addition, all the major production equipment require for the project will also be supplied by them.

The product has both internal and international market. Seventy-five per cent of the production will be exported during the first five years. The collaborators, Sprague Electromag Belgium S.A., have offered to buy back under mutually agreed terms and conditions 6.48 million pieces during the first year and 10.8 million pieces during the subsequent four years, corresponding to 60 per cent of the annual production for distribution throngh their channels in USA and Europe.

The construction of the factory and service buildings is in an advanced stage and is expected to be completed by the end of May, 1976. The company hopes to start commercial production by April, 1977.

Dividends

(Per cent)

Name of Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Elecon Engineering	Dec. 31, 1975	14.0	12.0
India Carbon	June 30, 1975	18.0	12.0
Orissa Cement	Dec. 31, 1975	20.0	10.0
Same Dividend			
Sandoz (India)	Dec. 31, 1975	12.0	12.0
Bank of Madurai	Dec. 31, 1975	10.0	10.0
Indian Rayon Corporation	June 30, 1975	Nil	Nil
Arunoday Mills	Dec. 31, 1975	12.0	12.0
Reduced Dividend			
Tata Mills	Dec. 31, 1975	Nil	15.0
Sri Balasubramania Mills	Dec. 31, 1975	Nil	8.0
Hukamchand Mills	Dec. 31, 1975	6.0	10.0

*On the enlarged capital.

E. I. D.—PARRY LIMITED

ADDRESS BY
MR. R. VENKATASWAMY NAIDU, *Chairman*
TO THE SHAREHOLDERS

The Seventy-eight Annual General Meeting of the Company was held on the 28th April, 1976. Presiding over the Meeting the Chairman Mr. R. Venkataswamy Naidu made the following Statement to the Shareholders

Ladies and Gentlemen,

I have pleasure in welcoming you all to the Seventy-eighth Annual General Meeting which, almost certainly, will be the last General Meeting of the Shareholders of this Company.

Following upon the Class Meetings of the Shareholders held on 1st March 1976, in pursuance of the directions of the High Court of Judicature at Madras and the High Court of Justice, England, whereat the resolutions approving the Scheme of Arrangement and Amalgamation dated 3rd February, 1976 were passed by an overwhelming majority, petitions have been filed in the High Court here and in London, *inter alia*, for the purposes of obtaining sanction to the abovesaid Scheme and for transfer of the assets and liabilities of the Company to the new Indian company, E.I.D.-Parry (India) Limited. I may mention that the petition to the High Court of Judicature at Madras is expected to be heard tomorrow and the petition to the High Court of Justice, England, soon thereafter. All going well, I expect all the formalities to be completed soon thereafter and the Scheme becoming effective from end June 1976 and the new Indian company will, on its own, carry on the business operations of this Company.

It has been a long road we have had to traverse to reach this stage from the time when a formal proposal was put forward to the Government of India in August 1972. We were one of the very first companies to embark upon a scheme of conversion even before the Foreign Exchange Regulation Act, 1973 came into force. As early as 1970 we commenced deliberations and discussions with Government of India on this matter which ultimately resulted in a concrete scheme being evolved. Unlike the normal process of dilution of foreign holdings required to comply with statutory requirements, our scheme of amalgamation of a foreign company having a large body of non-resident shareholders, with a newly formed Indian Company has been unique and at the same time complicated in view of the complex and varied nature of the problems involved. It therefore necessarily took us some time to progressively resolve these problems one by one and to place initially before Government and thereafter the Shareholders definitive proposals.

We are extremely grateful not only to the shareholders—institutional and others—for their massive support to the Government of India, more particularly in the Ministries of Economic Affairs, Company Law and Industrial Development, the Reserve Bank of India and the Bank of England for their sympathetic understanding of the problems involved and help and support.

Our own officials, solicitors and legal advisers both in England and in India, have toiled very hard towards the successful fruitton of this complicated task and I would like to communicate my appreciation to them.

GROUP RESULTS:

Turning to the Report and Accounts for the 15 months period ended 31st December, 1975 which were sent to you earlier this month in accordance with statutory regulations, Shareholders will recall that in order to facilitate the Scheme of Arrangement and Amalgamation the financial year-end of the Company and its subsidiaries had to be extended upto 31 December, 1975. Whilst, wi your permission, I will tak the Report and Accounts a read, I sincerely trust shar holders will agree that th dividend of 12 per cent re commended on the Ordinar Share Capital, viewed in th context of the results t which I shall make a refe rence little later, is satisfac tory.

In the Interim Report t the Shareholders reviewin the results of the Group fo the six months ended 31s March, 1975 which reveale a Group Net Profit o Rs 100.75 lakhs before taxation, it had been stated tha there were a number of factors beyond our control which adversely affected the operations of the Group. These factors, to which a reference was made subsequently in the circular letter dated 27th January, 1976 issued to the Shareholders reporting the preliminary results of the Group for the 12 months period ended 30th September, 1975 and reiterated in the Report of the Board of Directors on the Accounts for the period under review, hampered our performance and adversely affected the trading results. It is not necessary for me to repeat these once again but suffice it to say that the conditions under which the Group had to operate during the 1 months under review were extremely difficult. We were faced with a number of problems in relation to two o our main operations, viz sugar and fertilisers. Severa factors inhibited sales volum and profitability. The un usually heavy burden of fertiliser inventories we had to carry resulted in a severe incidence of interest charges. Moreover, we benefited last year from certain non-recurring factors which were not expected to be repeated this year.

In the event, the Group's net profit before taxation for the period under report was Rs 202.12 lakhs as against Rs 560.85 lakhs for the previous year. From all points of view, the results for the year 1974 were exceptional and cannot be easily repeated. Considering all these circumstances, the results reported should, in my view, be considered satisfactory.

Notwithstanding the steep decline in the net profit before taxation, Shareholders will be heartened to note that the incidence of taxation in relation to the net profits is considerably lower this year consequent upon certain exceptional factors with the result that the profit after taxation at Rs 110.35 lakhs is lower by only Rs 49.27 lakhs as compared with the after-tax profit of Rs 159.62 lakhs for the previous year.

DIVIDENDS:

In my address to you last year I had referred to restrictions imposed on the Ordinary Share Capital by the provisions of the Companies (Temporary Restriction on Dividends) Act, 1974. I had then informed the Shareholders that when fuller details of the relaxation of such restrictions announced by the Finance Minister in the Central Budget for 1975 became available, these will be taken note of in considering the dividend payments for the period under review. In recommending the dividend on the Ordinary Share Capital this year, your Directors have given full consideration to liberalised provisions relating to payment of dividends keeping in view the available disposable profits and consistent therewith the necessity to plough back profits for augmenting our internal resources for working capital as well as for future expansion schemes. Although the Government had recently announced that the Companies (Temporary Restriction on Dividends) Act, 1974, will cease to apply when it expires early in July 1976, we had necessarily to hold the Annual General Meeting before the end of this month and recommend a dividend on the Preference Share Capital and Ordinary Share Capital for approval by Shareholders before the petition in pursuance of the Scheme of Arrangement and Amalgamation came up for hearing before the Courts in India and in England. As such, the recommendation for payment of dividend had to be in consonance with existing provisions of the abovesaid Act. Consequently, the dividend of 12 per cent on the Ordinary Share Capital in respect of the 15 months period ended 31st December, 1975 on approval by the Shareholders at this meeting, will be paid in three equal instalments as outlined in the Directors' Report.

SUGAR:

Nellikuppam Sugar Factory crushed 6.44 lakh tonnes cane during the 15 months ended 31st December, 1975 and produced 49,408 tonnes sugar at an average recovery of 7.67 per cent. The quality of cane was poor due to adverse weather conditions and overaged cane crushed during the hot months June and July 1975 which could have been avoided but for a prolonged strike at the factory in October-November 1974.

The statutory cane price fixed for the factory was Rs 88 per tonne but we actually paid a price of Rs 100 per tonne on the advice of the State Government. Despite an increase in the cane price and escalations in various elements of cost, the levy price for 1974-75 fixed in November 1974 remained at the same level as for 1973-74. Several representations were made whereafter the Government announced that whilst there would be no revision in the price for levy sugar, the ratio of levy sugar to free sugar would be changed from 70:30 to 65:35. Even with the increase of 5% in free sugar ratio, the levy sugar price was uneconomical and the sugar factories in the State filed writ petitions in the Madras High Court, the hearing of which is still pending. In the meantime, excise duty on free sugar was increased from 37.5% to 45% with effect from 1st March, 1975. Contrary to expectations, the levy prices were reduced in July 1975 based on a new formula which left little or no room for absorbing from the free sugar realisations the cost escalations that had taken place. Here again, the question of the method of fixation of levy price is before the Madras High Court through writ petitions field by the sugar factories in the State.

For the year 1975-76 the Central Government have fixed cane price on the same basis as for 1974-75 and the price fixed for Nellikuppam factory is Rs. 88 per tonne. The percentage of levy sugar to free sugar remains at 65:35. Taking into account the shorter crushing period due to lack of cane, the Government of India have increased the levy price from Rs. 151.56 per quintal to Rs. 183.39 per quintal on the basis of the same formula adopted in July 1975. Even the price continues to remain uneconomical and does not fully compensate the escalation in costs and the matter is before the Court.

Nellikuppam Factory crushed 1.74 lakh tonnes cane for the period from 1st January, 1976 to 26th March, 1976. The season had to be closed for want of cane due to lower yields. The plantings for 1976/77 season are quite satisfactory and the factory is expected to start crushing in September/October 1976.

As I stated last year, a Letter of Intent has been received to expand the capacity of Nellikuppam factory from 2,750 TCD to 4,000

TCD. The incentive Scheme announced by the Government of India on 25th November, 1975 to encourage setting up new sugar factories and expansion of existing capacity together with the Investment Allowance announced in the Central Budget 1976 provide sufficient incentive to expand.

Steps have been initiated to undertake an expansion initially to increase the crushing capacity of the Nellikuppam factory to 3,000 TCD by the end of the 1976 off-season. With the ultimate expansion to 4,000 TCD in view, steps are being taken to increase the plantings of cane to ensure an adequate supply thereof.

SPIRIT

With the re-introduction of prohibition in Tamil Nadu as from 1st September, 1974 the bulk of our production during the year under review was sold outside the State. The possibility of locating our IMFL plant outside the State of Tamil Nadu is being explored.

CO2 production and sales continued to be satisfactory in spite of competition that prevailed during the period under review.

FERTILISERS

The year witnessed a rather sudden transformation in the market conditions from one of shortage to easy availability and sluggishness of demand. Several factors but predominantly price fluctuations, distribution controls, credit constraints, and unfavourable seasonal conditions contributed to a decline in demand, leading to higher inventory levels and carrying costs.

Recognising the difficulties that prevailed in the fertiliser market last year, both the Central and the State Governments took steps to encourage free flow of fertilisers to the farmers. At the State level, the distribution control system was considerably relaxed, short of total removal. The import programme for fertilisers have been suitably staggered and pruned by the Government of India to afford relief to the industry. I hope that the various steps taken and the reduction in the prices of phosphatic fertilisers recently announced by the Central Government will assist in marketing the large inventories of finished stocks currently carried by manufacturers of phosphatic fertilisers.

Weather conditions were generally satisfactory in Karnataka, Kerala and Andhra Pradesh but Tamil Nadu experienced severe drought due to the failure of the North-East monsoon in 1974. The belated South-West monsoon relieved, to a large extent, the seasonal adversity in Tamil Nadu and the North-East monsoon of 1975 was generally good except certain parts of Tamil Nadu.

It was through intense promotional efforts, aggresive selling, enlargement of sales force and distribution net work and extension of the marketing territory that we were able to achieve, during the period under review, a sales volume representing 95 per cent of the previous financial year.

While all available Urea from Madras Fertilisers Limited was marketed, sales of complex fertilisers were lower than the previous year. The availability of products of Coromandel Fertilisers Limited was restricted but the available tonnages were marketed. I would like to take the opportunity to record our appreciation of the help and support of our Principals.

We continued to pursue schemes aimed at educating smaller farmers towards a higher level of agricultural productivity and also schemes in collaboration with nationalised banks for integrated village development.

The availability of basic technical grades for pesticide formulations improved and a substantial increase over the previous year in dust formulations was recorded. Delayed arrival from abroad of technical grades suitable for formulation of liquid formulations affected sales.

With the commencement of production at Dharwar in Karnataka State, hybrid millet sales had nearly doubled. There was a marginal shortfall in high-yielding varieties of paddy seeds due to restriction on movement of paddy seeds to other States from Tamil Nadu.

Our Animal Feeds continued to enjoy consumer preference as a qualit product. Sales of Cattl Feed have been maintaine at last year's level but production of Poultry Feed ha to be restriceted in line wit the demand.

ENNORE :

During the 15 months period, Ennore factory achieved a production level higher than its rated capacity for phosphatic fertiliser. Due to power cut ranging upto 40%, the production of Ammonium Sulphate had to be restricted, and for several months during the period this unit remained shut down.

CERAMICS :

Production and sales showed an improvement over last year and the overall perfomance of Ceramics Division was satisfactory.

It is gratifying that notwithstanding the tight monetary conditions and the temporary setaback in building activities, sales volume was maintained. Parryware continues to enjoy the patronage of large builders and has acquired for itself an excellent brand image. Exports of sanitary-were have also shown an upward trend.

EXPORTS :

I am happy to be able to say that we have made considerable strides in the field of exports.

I had stated last year that we were developing marine exports in furtherance of which we were to import two trawlers from Italy and also acquire two local trawlers. We have now placed orders for two trawlers from Mexico—in lieu of Italy—by virtue of arrangements made through Government of India. In the meantime, in order to acquire sufficient experience and bulid up the required infrastructure to successfully operate the new trawlers when they arrive, some trawlers have been chartered and are now in operation.

As envisaged by me last year a substantial volume of export of textile garments has been built up. Our attempts to export other Indian products have commenced bearing fruits.

MERCHANTING BUSINESS ;

Our merchanting and trading activities consisting mainly of engineering and consumer products continue to lend steady support forming an integral part of the mainstream of our business. New lines have been added although in some of these, turnover can be built up only over a period of time. Our shipping activites and pharmaceutical trading continue to maintain a steady rate of growth

Whilst on the whole our merchanting turnover registered an increase, continual spiralling of selling and administration costs cut into profit margins.

We, as a Group, are fully aware of our obligations not only to Principals whose products we distribute but also the consumer public in general. Our distribution net-work is fully geared to lend them the fullest support and to ensure fair trade practices at the same time.

Our Principals' sympathetic understanding of our problems in a year in which trading conditions were none too comfortable, was a source of strength to us which we deeply appreciate.

OUTLOOK FOR 1976 :

I would like to take this opportunity to congratulate Prime Minister of India for ushering in the 20-point economic programme. In furtherance of this new programme various measures have already been taken by the Government.

As far as our Group is concerned, it is difficult to foresee what the current year's results are likely to be as the beneficial effect of the recent reduction in fertiliser prices is yet to become visible.

Assessing the overall position, I take the view that the worst of the recession is over as a consequence of the various measures taken by the Government and if, as I expect, of the economic situation and trading conditions improve, we may expect profitability to be maintained at a satisfactory level.

DEVELOPMENT :

From time to time, I have reiterated that the long-term interests of the Group is in enlarging the manufacturing base of our operations. A Letter of Intent has recently been received for the diversification of production at Ennore factory for manufacture of Methanol, STPP and Argon gas. A second unit for manufacture of Animal Feeds at Tadepalligudem has already gone into production and the establishment of a third unit is under consideration. Schemes for diversification and expansion are under constant review.

LABOUR RELATIONS:

Taking into account the wide variety of Unions committed generally to particular political trends, it may be said that industrial relations and peace in a Group of our kind was a hallmark of the period under review except for some stoppage of work at the Nellikuppam factory.

Complex and ticklish issues which arose in the form of supplementary demands were settled at the bipartite level with the various Unions. Recently we were able to come to a good arrangement with the Union at Ranipet on Incentive/Productivity oriented schemes which augurs well for the Group. Under the 20-point economic programme the Group has taken on the required number af apprentices tor selective training so as to provide trained personnel of job opportunites in the country.

Mention must also be made of the question of Bonus for the year 1973-74 which came up during the period under review. I am happy to record that although the negotiations with the array of Unions was protracted, the issue was amicably settled through direct talks to the satisfaction of all concerned.

I am quite confident that the employees and the Union in the Group are aware that their own prosperity depends on the prosperity of the Group.

I would like to take this opportunity of expressing my appreciation of the efforts of the Company's managerial staff at various levels.

E.I.D. – PARRY (INDIA) LIMITED

At the last Chairman of this great Sterling Company which has functioned in the Indian Sub-continent from 1897, I wish to say in conclusion how happy I am to have been associated with it since 1956 and to have been its Chairman from 1971.

Although there is unlikely to be any structural change either in the shareholdings or organistation of E.I.D. Parry (India) Limited when it commences its operations, I would like to express the sincere hope that with the process of transformation being completed, the years ahead will see a continuing and rapid expansion in the area of the operations, volume of business and overall profitability of the House of Parrys.

N.B. : This does not purport to be a report of the proceedings of the General Meeting.

RECORDS AND STATISTICS

Supreme Court's judgement on MISA during the emergency

No detenu held under the Maintenance of Internal Security Act can move a court and seek release so long as the enforcement of fundamental rights remains suspended during emergency, the Supreme Court ruled on April 28, 1976.

By a four to one majority verdict, the five-judge Constitution Bench of the Court also ruled that the presidential order of June 27, 1975 under Article 359(1) of the Constitution took away the locus standi of detenus to move any writ petition under Article 226 before a High Court for habeas corpus or any other writ or order of direction to, challenge the legality of the order of detention on the ground that the order is not under or in compliance with the Act or is illegal or is vitiated by malafides, factual or legal, or based on extraneous considerations.

The majority verdict as handed down by the Chief Justice, Mr A.N. Ray, and three judges on the bench Mr Justice M.H. Beg, Mr Justice Y.V. Chandrachud and Mr Justice P.N. Bhagwati, held that habeas corpus petitions by MISA detenus are not maintainable in High Courts.

Rule of Law

Mr Justice H.R. Khanna was the only judge on the bench who delivered a dissenting judgement. He held that in spite of the existence of the Presidential Order, a detenu can challenge his detention on the ground that either there was no law authorising his detention or that the law has not been complied with.

Mr Justice Ray held that Article 21 of the Constitution is the sole repository of rights to life and personal liberty against the state.

The Chief Justice, in his 70-page judgement, also declared Section 16A(9) of the Act prohibiting disclosure of grounds of detention to detenus as valid.

"It is rule of evidence and it is not open either to the detenu or to the court to ask for grounds of detention," he further declared

The Chief Justice also held that no court was competent to go into question of malafide of the order of detention or ultra vires character of the order of detention or that the order was not passed to the satisfaction of the detaining authority.

The Chief Justice accepted a batch of 14 appeals—eight filed by union of India and two by Uttar Pradesh, one each by Madhya Pradesh, Maharashtra, Rajasthan, and Karnataka governments against the decisions of the High Courts of Allahabad, Bombay (Nagpur bench), Delhi, Karnataka, Madhya Pradesh, Punjab and Rajasthan—rejecting preliminary objections raised by the state against the maintainability of habeas corpus petitions by MISA detenus. In all, about 43 detenus, including four opposition members of Parliament held under MISA are involved in these appeals.

Main Question

Two main questions, were involved in these appeals. First, whether in view of the Presidential Orders of June 27, 1975, and January 8, 1976, under Article 359 (1), any writ petition under Article 226 before a High Court for habeas corpus to enforce the right to personal liberty of a person detained under the Act on the ground that that the order of detention or the continued detention is for any reason not under or in compliance with the Act is maintainable.

Second, if such a petition is maintainable what is the scope or extent of judicial scrutiny, particularly in view of the Presidential Order, mentioning inter alia, Article 22 of the Constitution and also in view of Section 16A(9) of the Act.

Judicial Authorities

Citing at length the English and judicial authorities of other countries on the habeas corpus laws during peace and war time, the Chief Justice held, the effect of the Presidential Order suspending the enforcement of fundamental rights amounts to barring the locus standi of any person to move the court on the ground of violation of a fundamental right.

It was not the object of the Constitution makers, the Chief Justice said, that a person could not move this Court, for the enforcement of fundamental rights mentioned in the Presidential Order but could do so under Article 226.

"The bar created by Article 359(1) applies, to petitions for the enforcement of fundamental rights mentioned in the Presidential Order whether by way of application under Article 32 or by way of application under Article 226," he further said.

The Chief Justce said, "a person can enforce a fundamental right both in the case of law being made in violation of the right and also of the Executive Acts in non-compliance with valid laws or Acts without the authority or law.

"It cannot be said that the scope of Article 359(1) is only to restrict the application of the Article to the legisalative field and not to the Act of the Executive. The reason is that any enforcement of the fundamental rights mentioned in the Presidential Order is barred and any challenge either to the law or to any Act of the Executive on the ground that it is not in compliance with the valid law or without authortiy of law will amount to the enforcement of fundamental rights and will, therefore, be within the mischief of the Presidential Order."

The Mandate

Describing the Constitution as "the mandate" and "the rule of law above which no one can rise" the Chief Justice held that it was incorrect to say that the jurisdiction and powers of Supreme Court under Article 32 and of the High Courts under Article 226 are virtually abolished by the Presidential Order without any amendment of the Constitution.

He held that no amendment of the Constitution is necessary because no jurisdiction and power either of Supreme Court or of the High Court is taken away. "When a Presidential Order takes away the locus standi of the detenus to move any court for the enforcement of fundamental rights for the time being, the jurisdiction and powers of Supreme Court and of High Courts remain unaltered. It is directed against an individual and deprives him of his locus standi," the Chief Justice further held.

Referring to earlier rulings of the Supreme Court in various cases, notably in Mohan Chowdhury's case, Makhan Singh's case and Dr Ram Manohar Lohia Vs. State of Bihar cases, relating to right to liberty, the Chief Justice further held that Presidential Order in the present case is on the face of it, an unconditional order and as such there is the vital and telling difference between the effect of the Presidential Order of 1962 and the present Presidential Order.

He also held that decision in Makhan Singh's case and subsequent cases following it have no application to the present cases where the suspension is not hedged in with any condition of enforcement of any right under Article 21 and 22. The conclusion is that Presidential Order is a bar at the threshold.

Sole Repository

Holding that Article 21 is the sole repository of rights of life and personal liberty, the Chief Justice said that fundamental rights including the right to personal liberty are conferred by the Constitution. "Any pre-Constitution rights which are included in Artlcle 21 do not, after the Constitution, remain in existence which can be enforced, if Article 21 is suspended."

"If it be assumed that there was any pre-Constitutional right to personal liberty included in Article 21 which continued to exist as a distinct and separate right then Article 359(1) will be an exercise in futility," the Chief Justice said.

The Chief Justice held that Article 21 relating to personal liberty is not a common law right.

There was no pre-existing common law right which corresponds to a fundamental right, can exist, as a distinct right apart trom the fundamental right.

Common Law Remedy

He said: "If there is a pre-Constitution right which is expressly embodied as a fundamental right under our Constitution, the common law remedy to habeas corpus, he said, and added, no common law right has no separate existence under our Constitution. If any right existed before the commencement of the Constitution and the same right with its same content is conferred by part three as a fundamental right, the source of that right is in part three and not in any pre-existing right."

The Chief Justice also held that the MISA is a valid law and it has laid down procedure of applying the law. He said, "the validity of the Act has not been challenged and cannot be challenged. The legislature has competence to make the law, and its procedure cannot be challenged because Article 21 and 22 cannot be enforced."

"The contention of the respondents that the power of the executive is widened is equally untenable," Chief Justice Ray said.

On the question whether rule of Law overrides the Presidential Order, the Chief Justice said that the Presidential Order does not alter or suspend any law.

Not a Catchword

"Rule of law is not a catchword or incantation. Rule of law is not a law of nature consistent and invariable at all times and in all circumstances," he said.

Pointing out that the rule of law is not identical with a free society, the Chief Justice further held that the suspension of right to enforce fundamental right has the effect that the emergency provisions in part 18, are by themselves the rule of law during the times of emergency.

"There cannot be any rule of law other than the Constitutional rule of law. There cannot be any pre-Constitutional or post-Constitutional rule of law which can run counter to the rule of law embodied in the Constitution, nor can there be any invocation to any rule of law to nullify the Constitutional provisions during the the times of emergency," the Chief Justice said.

Dealing with the validity of Section 16A(9) of MISA which provides for the non-disclosure of grounds of detention to detenus, the Chief Justice held that this provision cannot be said to be an amendment to Article 226 relating to powers of High Courts.

The jurisdiction to issue

writs is neither abrogated nor abridged, he said.

Mr Justice Ray said that a claim to privilege arises in regard to documents or information where a party to a suit or proceeding is called upon to produce evidence. Section 16A(9) enacts provisions analogous to a conclusive proof of a presumption. Such a provision is a genuine rule of evidence. It is in the nature of an explanation to Sections 123 and 162 of the Evidence Act. Section 16A(9) is a rule of evidence.

He said, "Therefore, when detaining authority is bound by Section 16A(9) and forbidden absolutely from disclosing such material, no question can arise for an adverse inference against the authority.

"If a detenu makes out a prima facie case and the court calls for a return, the affidavit or the authority will be an answer. The court cannot insist on the production of the file or hold that the case of the detenu stands unrebutted by reason of such non-disclosure.

Reckless Averments

"To hold otherwise would be to induce reckless averments of malafides to force production of the file which is forbidden by law. This provision in the Act cannot be read down implying an exception in favour of disclosure to the court as was suggested by the Bombay High Court (Nagpur bench). Such disclosure to the court alone and not to the detenu will introduce something unknown to judicial procedure: This will bring in an element of arbitrariness and preclude both parties from representing their respective cases. Further, it would substitute or superimpose satisfaction of the court for that of the executive", the Chief Justice said.

Concurring with the majority judgement, that the Presidential order of June 27 last bars maintainability of a petition for a writ of habeas corpus, Mr Justice P.N. Bhagwati said that in a crisis situation such as war or threat of war or internal subversion the government had to assume a situation and that meant that people would have fewer rights.

Public Safety

"The maximum that public safety was the highest law of all, must prevail in times of crisis and the people must submit to temporary abdication of their Constitutional liberties in order to enable the government to combat the crisis situation which might otherwise destroy the continued existence of the nation", Justice Bhagwati said in his judgement.

Dealing with the emergency provisions under the Constitution, Justice Bhagwati said, "it was not necessary that there should be actual occurrence of war or external aggression or internal disturbance in order to justify a proclamation of emergency under Article 352.

"It is enough if there is imminent danger of any such crisis." The Constitutional implications of a declaration of emergency under that Article, he said, were much wider than in the United States or Great Britain.

If the court were to accept the view of counsel for detenus that the Presidential Order of June 27 last under Article 359(1) suspending enforcement of Article 21 (right to life and personal liberty) did not bar the remedy to seek release on ground that detenion was illegal, the consequence would be that even in a perilous situation like that of a war, courts would be free to examine the legality of detention even if such detention had been made for efficient prosecution of the war or for protecting the nation against enemy activity.

Mr Justic Y.V. Chandrachud, joining the majority juges in the habeus corpus case, held in the Supreme Court, on April 28, that the June 27 Presidential Order took away the legal capacity of MISA detenus to move a court and secure release.

No Bar

The order did not, however, bar the court from granting "relief other or less than the release of the detenue from detention," he ruled.

Justice Chandrachud broadly summarised his conclusions thus: "The Presidential Order did not suspend the fundamental principle that all executive action must have the authority of law to support it."

The order, however, deprived a person of his locus standi to move any court, be it the Supreme Court or the High Court, for the enforcement of fundemental rights mentioned in the order. Such deprivation ensured during the period that the proclamation of emergency was in force or for such shorter period as might be specified in the order.

Question of Malafides

He ruled that the order also barred any investigation or inquiry into the quesion whether the detention was vitiated by mala fides, factual or legal, or whether it was based on extraneous considerations or whether the detaining authority had reached his subjective satisfaction validiy on proper and relevant material.

Justice Chandrachud said, "the relief by way of release from detention was barred whatever be the source of the right to personal liberty and whether or not Article 21 of the Constitution was the sole repository of such right."

The Presidential Order did not bring about any amendment of Article 226 (writ jurisdiction of High Courts) and was not open to challenge on that ground.

He also ruled that the order "neither bars the right of an accused to defend his personal liberty in the court of first instance or in a higher court, nor does it ba the execution of decrees passed against the government.

Justice Chandrachud held that Section 16A(9) of MIS (non-disclosure of ground of detention) did not con stitute an encroachment on the writ jurisdiction of the High Court. The view of the Bombay High Court that the Section might be "read down" so as to enable the court to examine the forbidden material was impossible to sustain. What use could a court make of material which it could not disclose to the detenu and how could it form a judicial opinion on matters not disclosed to a party before it?

At best, the High Court could, "satisfy its curiosity by tasting the forbidden fruit" but he observed "its secret scrutiny of the ground and of the file containing the relevant information and material could not enter into its judicial verdict."

Mr Justice H.M. Beg held, that a court could not inquire into the vires of the detention of a petitioner under MISA, once the court was shown a prima facie valid detention order passed by an authorised officer recording his purported satisfaction.

Validity or Vires

In his judgement, he said, "once such a detention order was shown to exist in response to a notice for a writ of habeas corpus, the High Court cannot inquire into validity or vires on the ground of either mala fides of any kind or of non-compliance with any provision of MISA in habeas corpus proceedings."

"The preliminary objection of the State must be accepted in such a case", he held.

He allowed the appeals by the State againt the judgements of the nine High Courts in the 42 cases of detenus and directed the concerned High Courts to pass an order in each petition in accordance with the law laid down by the Supreme Court on April 28, 1976.

Noting that his attention could not be drawn to a single case by way of illustration of the alleged misuse of power of the executive, he said that it was significant that "no case of alleged malice in fact, could be even brought to our notice."

Mr Justice Beg said shat' "I do not think that it is either responsible advocacy or the performance of any patriotic duty to suggest that powers of preventive detention were being misused in the current emergency",

Basic Structure

Referring to the strrongly empnasised point of the basic sturcture of the Constitotion which formed a main plank for the detenus, Mr Justice Beg said. "I do not look upon the theory of the basic structure of the Constitution as anything more than a part of a well recognised mode of constructing a document."

"The Constitution, like any other document, has to be read and construed as a whole". He went on to add that the theory could not and did not build and add a new part to the Constitution.

Referring to the arguments on rule of the law, the said, that, the term rule of law was not a magic wand which could be waved to dispel every difficulty.

He said, "it (rule of law) is not an Aladin's lamp which can be scratched to invoke a power which brings to any person in need whatever he or she may desire to have. It can only mean, for lawyers with their feet firmly planted in the realm of reality, what the law in a particular state or country is and what it enjoins."

Locus Standi

Mr Justice Beg said that, the locus standi of the person to move the court has gone and the competence of the courts to enquire into the grievance is also impaired by inability to pursue the grounds of executive action or their relationship with the power to Act, it was no use appealing to the concept of the rule of law. He added that the concept was thus inapplicable to the present situation.

The Constitution does not confer any power on any "authority" to suspend the power of the high courts to issue writs of habeas corpus during the period of emergency, Mr Justice H.R. Khanna held in his dissenting Judgment in the habeas corpus case.

Article 226 of Constitution, under which the High Courts can issue writs, was an integral part of the Constitution and the same could not be suspended by putting a particular interpretation on the Presidenital Order issued under Article 359 (1), Mr Justice Khanna held.

The question of construction of the Presidential Order, issued on June 27 last, suspending the enforcement of fundamental rights conferred by Articles 14, 19, 21 and 22, arose in view of the arrangement raised by the Attorney General, Mr Niren De, That since the June 27 order was a "blanket" order, the Supreme Court's decision in the celebrated Makhan Singh's case will not apply.

In the Makhan Singh's case, the Court had held in 1964 that if a detenu challenged his detention on the ground that it violated some statutory provisions, the challenge could not be barred because of the Presidential Order under Article 359 (1).

No Precedent

The Attorney General had argued that unlike the present case, the 1962 Presidential Order under Article 359 which was considered by the Court in the Makhan Singh's case, was a conditional order as it related to only those persons who had been detained under the Defence of India Act.

Referring to this argument of the Attorney General, Mr Justice Khanna observed, "the difference in phraseology of the Presidential Order dated June 27, 1975 and that of the earlier Presidential Orders would not Justify the conclusion that becasue of the new Presidential Order a detention order need not comply with the requirements of the law providing for preventive detention.

Consumption loans for landless & small farmers

The ten-member Expert Committee on Consumption Credit presented its report to the government on April 26, 1976. The report was presented by the Chairman of the Committee Mr B. Sivaraman, Member, Planning Commission to Mr Pranab Mukherjee, minister of Revenue and Banking. The committee in its report has recommended consumption loans for landless and small farmers.

In Stages

Soon after the prime minister enunciated the 20-Point Economic Programme, the state governments following the guidelines issued by the central government, took urgent steps to liquidate rural indebtedness in stages, first by declaring moratorium on, and then by scaling down and discharging such debts. The state governments took these measures in so far as the debts of a small/marginal farmers, landless labourers and rural artisans to the village money-lenders etc. are concerned.

As a result of these measures, the sources of credit, especially the consumption credit to the poorer sections of the village community, totally dried up causing sufferings to these classes of people. It was felt that some urgent alternative arrangements were called for to mitigate their sufferings. Accordingly, government of India set up an Expert Committee with Mr B. Sivaraman, Member, Planning Commission, as Chairman on March 10, 1976. This committee was entrusted with the responsibility of studying the impact of the measures taken by the state governments in so far as the difficulties being faced by these categories of rural populace in arranging their genuine and inescapable consumption credit requirements, are concerned. The committee was also asked to make recommendations as to the purposes for and the agencies from which such consumption credit is to be provided.

Various Issues

The committee obtained the views of the state governments and the public sector banks on the various issues relevant to the terms of reference of the committee. The steps taken by the public sector banks in meeting consumption credit need of the poorest section of the village community were also obtained from them. After assessing the views of the state governments and the various schemes introduced by the public sector banks in this behalf, the expert committee reached certain unanimons conclusions. The committee thought that the lowest stratum of the village community which would be hit hardest as a result of the recent debt legislations are those that have 'nil' holdings or have holdings measuring 0.01 to 0.50 acres. The committee concluded that this is the class of rural folk which would need pure consumption credit as apart from production credit.

Consumption Credit

The next higher class of rural people, viz., possessing land above 0.50 acres but not more than 5 acres will also need consumption credit, but this credit will be linked to production credit. All farmers and tenants cultivating lands above 0.50 acres and including five acres can meet their consumption credit needs from the general production credit obtained from the cooperative structure and the commercial banking sector including the regional rural banks. The committee is of the view that by strengthening the cooperative credit structure and by determined attempt by the commercial banks including rural banks, the bulk of the consumption credit requirements of this class should be looked after by the production credit system in operation today.

In order to fulfil this role, the committee has stressed that the measures already prescribed by the Reserve Bank of India to strengthen the cooperative credit structure including universal membership system should be implemented without any delay. It was pointed out by the committee that cooperative credit system for agricultural production already provided an element of consumption credit for the producer-borrower.

On the basis of the figures given in the All-India Debt and Investment Survey 1971-72 and after taking into account the consumption expenditure required for meeting social obligations like marriage ceremonies and funeral and other religious rites, educational and medical expenses, the committee arrived at the figure of Rs 340 crores for those holding size groups 'nil' and '0.01 to 0.50 acres' together. On the same basis, the consumption credit requirements for all purposes for the holding size groups above 0.50 acres and upto including five acres would be of the order of Rs 250 crores.

Misleading Figures

The committee, however, felt that these figures did not represent the actual borrowing. These were the liabilities built up over a substantial period of time following usurious practices and never allowing capital to be shown as paid. The committee was, therefore, obliged to apply a more realistic method to arrive at an estimated figure of Rs 170 crores that would be required for meeting the consumption credit needs of the groups of people having land holdings 'nil' and from 0.01 to 0.50 acre. Under this method, the committee has assumed that every borrowing family would borrow the maximum of loans recommended by the committee. On this basis the amount required for general consumption loans and loans for birth and death ceremonies comes to Rs 90 crores.

Softer Terms

The committee has estimated that credit requirements for marriage, medical and educational purposes would amount to about Rs 40 crores. The total requirement for all consumption purposes listed above would thus be Rs 130 crores. To this, the committee considers, should be added the requirement of those poorer sections who could not avail of the credit because of the various usurious methods applied by the money-lenders but who are now likely to come forward to obtain loans for consumption purposes for the simple reason that they would be now available from institutional sources at softer terms. For the first year and for the reasons explained by the committee, the total requirement of consumption credit for all these poorer sections of the village people would be of order of Rs 170 crores.

For the same reasons, the estimated figure of Rs 250 crores, as indicated above, for the all households owning land above 0.50 acres and upto 5 acres will have to be reduced substantially. The committee considers that credit of the order of Rs 125 crores should look after the present needs of these classes of borrowers. This class of borrowers will generally be taking productive credit for agricultural production. The production loans that the institutions can give and do provide has an in-built consumption credit element. The committee felt that the institutional agencies could take care of the pure consumption needs of this class of rural community without making any change in the existing policies and procedures except marginally. The committee, therefore, considers that no special arrangement for providing credit of this type to this class of people is necessary except taking steps to strengthen the network of institutional credit agencies, especially the cooperatives.

Role of Cooperatives

Out of the consumption credit requirements of Rs 170 crores for those having holdings upto 0.50 acres of land, the various types of cooperative societies, after their speedy reorganisation, on the lines recommended by the committee, can at best take care of consumption credit requirements to the extent of Rs 70 crores only. The committee has stressed that only those primary agricultural societies as have full-time paid secretaries should alone be entrusted with the responsibility of extending consumption credit. But since less than 1/3rd of the societies have full time paid secretaries, the committee has recommended that during the next two months, the societies should strengthen their organisations on a war footing so that at least half of the societies in the country are made viable and have whole time paid secretaries.

Special Laws

But even then there will still remain large areas in the country where institutional arrangements for providing consumption credit will not be feasible. In such 'grey' areas, the state governments will have to step in to cater to the needs of the people through their revenue and other administrative departments. Special laws may have to be enacted for the purpose and to ensure recovery.

The fact that there are agricultural labourers and marginal farmers who live mainly on wages for whom pure consumption credit is required, a system of controlled employment scheme would be of great advantage. To solve the twin problem of provision of employment and collection of consumption loans, the committee has recommended that on the model of the scheme enumerated by the Maharashtra government, the borrowers be put on an employment scheme worked out by government departments. The committee has recommended that each state should identify such production schemes so that the can loans be recovered promptly. In the case of artisans, the cooperative marketing structure will play his role.

They 'grey' areas will account for the remaining 100 crores to be met out of the budgetary resources of the state governments. But since the states may find it difficult to mobilise this big amount even by imposing special tax as the government of Maharashtra have done, there will be need for some special assistance from the centre. The committee has therefore advised that the state governments and the central government should enter into immediate dialogue for the purpose.

Grey Areas

In order to keep the 'grey' areas to the minimum the state governments will have to make earnest efforts to strengthen the cooperative structure. For this an additional allocation of Rs 20 crores, in the Plan, both centre and state, will be needed.

The committee has expressed the definite view that the primary agricultural credit societies organised into viable units, farmers' service societies, large sized multi-purpose societies in the tribal areas, each having a full-time paid secretary/managing director, will be best suited to handle the business of providing consumption credit to the various categories of the rural community.

Where, however, the central cooperative banks are weak and are not in a osition to give the necessary financial support to all the societies in their areas.

The committee has recommended that some societies may be attached to commercial banks for the purpose of credit facilities, both production and consumption purposes.

The committee has stressed that immediate steps should be taken to ensure that as much of the minor forest produce as possible for the tribal areas, is collected through departmental arrangement at fair prices.

The state governments should straightaway open fair price shops through their Forest Department in all the areas where tribals conglomerate and where the LAMPS cannot be found immediately.

Risk Involved

As there is a high degree of risk involved in extending pure consumption credit to the class of people envisaged, a risk margin assistance limited to 10 per cent of the total quantum of loans advanced should be given to the lending institutions in the following manner:

(i) where the primary cooperatives give loans, the 10 per cent will be divided in the proportion of 3: 1 i.e. $7\frac{1}{2}$ per cent in favour of primary society and $2\frac{1}{2}$ per cent financing bank;

ii) where cooperative or a commercial bank advances money directly to the loanees, the entire 10 per cent go to the bank concerned.

The risk fund of the order of Rs 17 crores should be borne equally by the central government and the state governments.

Ceilings on Loans

The types of purposes of which consumption loans have been recommended and the ceiling laid down in respect of such loans are given below:

Type of loan	Ceiling of loans
(a) Medical expenses relating to borrowers and members of their families.	Rs 250
(b) Education expenses for school.	Rs 100
(c) Marriage expenses	Rs 250
(d) Expenses on funeral ceremonies as well as birth ceremonies.	Rs 75
(e) Expenses on religious ceremonies which are deeply rooted and considered inescapable by certain sections of society.	Rs 75

The ceilings have been suggested on the basis of the general experience as to the levels of borrowing of the classes of people the committee is dealing with. The actual loan to be given to a person must have relation to his minimum needs and his capacity to repay.

In making the recommendations, the committee took care to consolidate their recommendations in a separate chapter, which were meant for immediate implementation by the end of June, 1976.

Action Points

The committee has also enumerated the action points to be implemented by different agencies. Thus, the state governments will have to take immediate steps for strengthening the cooperative credit structure by taking suitable legislative measures for universal membership in the cooperatives, by making the primary societies into strong and viable units and by professionalisation of the managements of such societies by full-time paid secretaries or managing direetors in the case of farmers' service societies.

Suitable employment programme should also be drawn by state governments on the model of the Maharashtra scheme. State aovernments would also demarcate the areas, which cannot be covered by cooperative credit system and commercial banks etc. during the ensuing season and make necessary arrangements for provision of loans to state governments own agencies in these 'grey' areas.

Central government have been entrusted with the responsibility of:

(i) holding discussions with Reserve Bank of India for finding the resources required by the cooperative banking system for providing consumption credit;

(ii) issuing guidelines to commercial banks including regional rural banks to fall in line with the reeommendations of the committee and providing consumption credit as recommended by the committee.

Reorganisation

(iii) issuing directives to state government departments to take full advantage of the facilities being extended by government of India and Reserve Bank of India to complete the reorganisation of the cooperative structure.

Reserve Bank of India will issue guidelines to the cooperatives and commercial banks in order to implement the recommendations of the committee and make an immediate assessment of the requirements of the different state governments for drawal from the LTO Fund of the Reserve Bank of India to strengthen the equity base of the cooparatives.

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FICCI resolutions

The 49th Annual General Meeting of the Federation f Indian Chambers of Commerce and Industry was eld in New Delhi from May 1 to 3. The meeting disussed the world economic situation in the wake of ise in oil prices and its effects in the global context in eneral and India in particular. The meeting passed esolutions the texts of which are given below:

ivotal role of export in our economy

IN the past two years the deficit on external trade account has been running at the average rate of nearly Rs 120 crores a month. The large deficit reflects primarily the impact of oil price hike. The increase in oil prices has more or less come to stay and temporary expedients to tide over the trade deficit cannot be relied upon. Is is imperative that our exports are substantially pushed up quickly as possible to finance the import bill and debt servicing.

The world economic situation is somewhat distorted. Recession which had gripped most of the developed countries has only marginally abated. To conserve domestic demand some countries have sought greater tariff and non-tariff protection. The redistribution of income internally has also caused a demand shift in world markets. Trade potentialities in West Asia have diversified and enlarged.

While in most countries prices are rising, in ours they have very significantly dropped. Also some stability to the external value of the Rupee has been achieved by linking it with a basket of currencies. The opening of the Suez Canal has brought European markets nearer. The US GSP Scheme which became effective since January 1, 1976 has opened up opportunities, though the Scheme excludes some of the items which are of importance in our export trade. Though these developments have given us some advantage in international trade, our exports still need to be made more competitive for any major escalation in them.

Pragmatic Approach

On the whole, the international situation is difficult but not totally unfavourable and larger exports are possible with more pragmatic policies, speedy implementation and closer coordination between government and industry.

Apart from export of goods, considerable scope also exists for export of consultancy services, turnkey projects, and undertaking other large value contracts, and for sub-contracting arrangements between Indian and developed country firms, specially in West Asia in the fields of construction and engineering.

In this context the Federation welcomes emphasis placed in the new Import Policy on improvement of procedures and stimulation of export production. To utilise the growing opportunities and for mounting an ambitious export drive, Federation makes the following suggestions for implementation by exporters and government.

Role of Business

1. Industry and trade, on their part, should give the greatest attention to cost, quality, packaging, delivery schedules, market surveys and publicity so as to face international competition better.

2. A mechanism for consortium of exporters of turn-key projects and large value contracts should be created, so that Export Houses, contractors and consultancy firms, and manufacturers, both in the public and private sectors, are able to combine resources and undertake large export programmes jointly.

3. Export Promotion Councils should be strengthened for receipt and dissemination of commercial intelligence to ensure against any loss of trade opportunity for want of timely information.

4. Exporters should make a more determined effort to take advantage of the GSP concessions, as they are being lost to other developing countries. At the same time, government should continue its efforts, bilaterally and through international forums,

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Company Notice

Hindustan Aluminium Corporation Limited

Registered Office:
'CENTURY BHAVAN'
Dr Annie Besant Road
BOMBAY 400 025

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 14th June, 1976, at 4-00 P.M. at Birla Matushri Sabhaghar, 19, Marine Lines, Bombay 400 020, to transact the business as contained in the Notice dated 15th April, 1976. The notice relating to the business to be transacted at the said meeting, together with the Explanatory Statement thereto as required by Section 173 of the Companies Act, 1956, is being posted to all the members individually at their registered addresses.

Notice is also hereby given pursuant to Section 154 of the Companies Act, 1956 that the Register of Members and Transfer Books of both Equity and Preference Shares of the Company will remain closed from 14th May, 1976 to 2nd June, 1976, both days inclusive.

By order of the Board of Directors,
M. K. Jain
Secretary,
Bombay
Dated the 26 day of April, 1976

Notes:

(A) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

(B) Shareholders are requested to intimate to the Company changes, if any, in their registered addresses.

for liberalisation of the US GSP Scheme and the schemes of other developed countries.

5. Institutional arrangements should be made at the level of Indian and foreign business and industry organisation for exchange of information and ideas, and implementation of decisions reached beeween joint commissions government has set up with a number of foreign countries for trade, technical and economic cooperation. The progress made in the implementation of agreed decisions should be periodically reviewed.

More Incentives

1. To enable Export Houses and exporters to plan their future strategies, and carry on future contracting without any inhibition, the facilities and incentives by government should not be reduced at least for five years. At the same time these facilities should be strengthened whenever world conditions so require.

2. The facilities provided to stimulate export effort often get diluted for lack of inter-ministerial and inter-departmental coordination, and complicated and time-consuming administrative procedures and rules. To handle this problem, a standing committee consisting of representatives of government, industry and exporters should be established to review position and suggest improvement.

3. Government should widen the scope of the schemes to apply essential raw materials both indigenous and imported, at economic prices to manufacturers for export production.

4. The interest rates on export credit, which are currently very high, should be administered with greater flexibility, so that downward adjustments are possible whenever the situation in a particular market warrants so, as is being done by many developed countries.

5. Liberal foreign exchange may be made available for establishing business contacts advertsing goods abroad and setting up offices in foreign markets.

6. Infrastructural facilities in the fields of port and harbour, shipping & transport, and power need to be rapidly enlarged and improved.

Prerequisites of economic growth

One the major objectives of national policy is to improve the standard of living of the people. This objective can be secured mainly through provision of productive whole-time employment which in itself is an outcome of rapid, sustained and adequate development in all sectors of the economy.

The single largest source of employment in our country is agriculture. Opportunities for additional employment in this sector depend upon the expansion of irrigation facilities, use of fertilisers and high yielding varieties of seeds as well as land improvement and adoption of the requisite techniques for dry farming. Besides, the generation of productive employment will depend on the growth of industry, infrastructure and other tertiary sectors. In recent years growth in these areas has been subdued and, as such, unemployment has increased.

The two aspects that need to be considered, are fuller utilisation of production capacities that have been already established, and acceleration of new investment. Currently, capacity utilisation is extremely low in a very large sector of industry inspite of better production conditions.

Greater industrial harmony has been achieved since the Emergency. Power and raw material supply position has also improved, though it is not absolutely satisfactory. In addition, concerted efforts have to be made for proper maintenance of equipment and machinery, as has been emphasised in the case of power industry, on an urgent basis.

A new adverse factor which has emerged is fall in the level of aggregate demand. As a result, sickness in industrs is spreading.

In this situation new investment has been sluggish. Besides, capital goods today cost substantially more than did about two or three years back. The return on new investment has become inadequate and in some cases even negative. In this context, a reasonable rate of return on investment through remunerative prices, as recommended by the fifth Plan document, should be ensured in order to encourage investment and stimulate prod
tion.

To set the course right a
expedite growth, the Fede
tion suggests the followi
measures:

— Anti-inflationary me
sures under the three ca
gories—monetary, fiscal a
administrative—require to
substantially eased. There
an urgent need for reducti
of the Bank Rate and t
lending rates of the banks.

— Liberalisation of inves
ment procedures which fin
an important place
the 20—Point Programme
the Prime Minister has to
undertaken speedily.

— The policy decision
do away with unnecessa
controls affecting productio
and distribution must
vigorously implemented.

Liberal Credit

— Term lending institu
tions must be provided wit
greater funds and their lan
ing terms in respect of pr
moters' contribution an
debt equity ratio should
liberalised to support inves
ment programmes of indu
try.

— Dry farming metho
should be improved as a ma
ter of urgency and agricu
tural production raised eve
further, both to provide a
ditional employment in lar
numbers and achieve surpl
ses for export. Infrastru
ture facilities that will dire
tly improve the standard
living of the people as al
those that will provide i
puts to agriculture and i
dustry should be adequate
augmented.

— As fuller exploitati
of oil and mineral resour

contribute in significant sure both to national duction as well as to ex- t effort, the services of all ductive agencies, whether ional or foreign should be y utilised.

— Having regard to the economic and social conditions of our country, action to develop rural and backward areas, promote young entrepreneurs and assist small-scale industries needs to be stepped up. This is a responsibility of both government and business.

Fiscal and monetary policies

It is gratifying that vernment had adopted a nstructive approach to the dget for 1976-77. Quite few proposals contained the budget should help correcting the imbalances our economy and pave e way for accelerated conomic growth. However, certain issues remain be resolved in the spheres f the both fiscal and mone- ary policies. This calls or immediate attention and arly action.

The 25 per cent investment allowance which is restricted to specified industries covers but partially the escalation in capital costs. This is particularly so in respect of new capital heavy industries. Bank credit continues to be scarce and may be made even more difficult with the financing of the food procurment and the fertiliser distribution by the banking system.

The capital market is stlll depressed, especially in view of the prevailing high interest rates, and the corporate sector is not in a position to raise equity finance to support a high investment effort. Even the surcharge which has been withdrawn will not improve the cash flow since the amount has to be deposited with the IDBI. The income-tax laws obstruct uneconomic units being made viable through amalgamation.

The budget, in spite of its welcome feature, requires to be supplemented by other measures to quicken the pace of growth. The Federation suggests action on the following lines:

— The inbuilt procedural delays in the sanctioning and allocation of funds to various government departments for Plan outlays should be cut down and the implementation of projects started expeditiously.

— The general rate of corporate taxation needs to be reduced in accordance with the new approach to taxation.

— The investment allowance should be made applicable to all industries, with a higher rate for priority industries.

— The benefit of the proposed 25 per cent excise relief should be widely extended.

— In view of the high capital cost of large projects, a beginning should be made by way of expeditiously implementing the recommendations of the high-powered committee appointed by the union Finance ministry to go into their problems. Further, refinements in policies can be conceived later to accelerate the pace.

— When sick units are taken over by a healthy enterprise, the losses of the former should be allowed to be set off against the profits of the latter.

— Capital gains from sale of any assets should not be subject to tax if these are reinvested in approved productive activities. This will go a long way in bringing about a healthy pattern of assets which will heighten economic growth.

— The ceiling on the rate of interest on bank credit has to be brought down considerably, so as to reduce operating costs of industry and trade and improve conditions in the capital market.

— The developmental expenditure in the budget has to be further enhanced, on select lines, like housing, self-employment schemes, rural uplift programmes so as to generate more employment, income and demand.

— There has to be substantial expansion in bank credit to invigorate demand in the economy and facilitate production and distribution. Higher utilisation of capacity as well as sales depend on this crucial measure.

— As an incentive to attain greater volume of exports a part of the profits of enterprises, equivalent to the proportion of exports to production, should be taxed at a lower rate.

Trading and marketing

In the past one year the economic conditions in the country have dramatically changed and have occassioned a shift from seller's to buyer's market. This has necessitated readjustment as well as new marketing techniques.

The distribution system in our country has been evolved over centuries in response to changing conditions. At the same time, the cost of distribution by private trade in our country has continued to be lowest in the world. Trade has also shared larger burdens to promote socio-economic objectives. The packaging order promulgated last year has added a new dimension to the responsibilities of trade. Greater unformity is imperative in respect of price display orders which have been issued by various states. Government have also modified the Prevention of Food Adulteration Act to take note of practical problems. The spirit behind this Act requires to be fully respected in the process of implementation.of its various provisions.

It is also welcome that the 20-point Programme announced by the Prime Minister has made special reference to rationalisation of the road transport system and the need for issuance of national transport permits. The Inter-state Transport Commission created under Section 63(A) of the Motor Vehicles Act should be made the agency for grant of national permits instead of the state governments. This would achieve greatest uniformity and place emphasis on national interests. However, attention requires to be given to avoidable obstacles to smooth movement, such as octroi, which have diluted the potential benefits.

There is considerable scope for streamlining the distribution system and considering the various aspects, the Federation has the following suggestions to offer:

—Sales tax which has created considerable administrative problems should be replaced by excise duties in all possible cases.

—Octroi posts which hamper free movement of goods should be abolished and the local authorities compensated from other means.

—Trade in controlled items should be allowed to be handled by private traders since the supply position of almost all controlled commodities has substantially eased.

—Trade organisations should be associated with the handling of essential goods. The evolution of this mechanism would be crucial whenever shortages of any essential goods arise in the future.

—Inter-state movement of foodgrains should be completely liberalised in view of the vast increase in production.

—Advisory committees should be set up for each state representing government, municipalities, trade and industry to help orderly implementation of the
vention of Food Adult
tion Act.

Trading organisati
should realise their respon
bilities to the consum
and gear themselves to ch
ging marketing conditio
The Chambers of Comme
should make traders aw
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ques and undertake traini
programmes for this pu
pose.

—Banks should provi
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the genuine needs of tradi
and marketing and th
promote effective distrib
tion.

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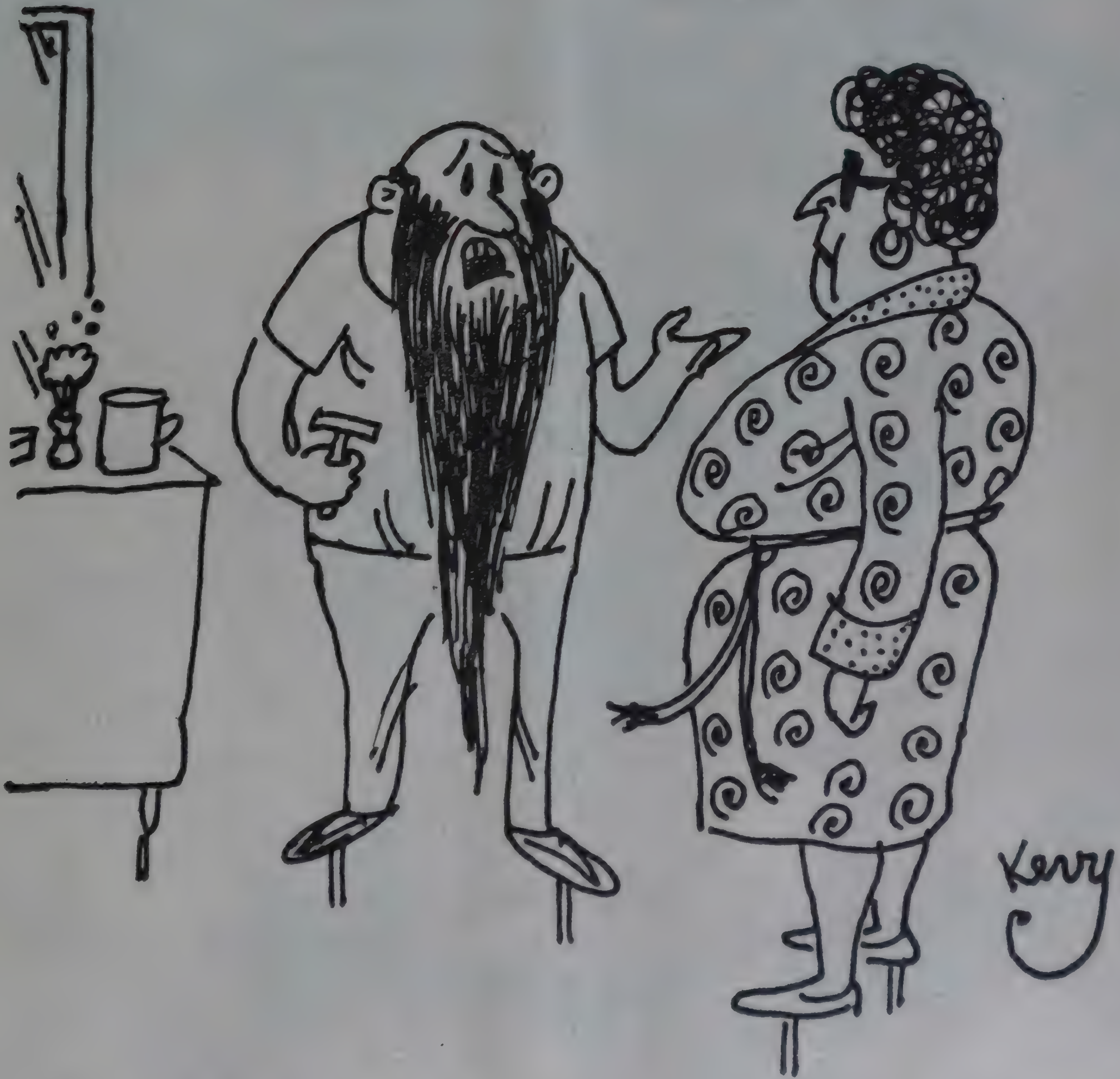

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VOL. 66 NO. 20 MAY 14, 1976

Price Rupees Two

Leading Articles

Negotiations at Nairobi 1053
Vanaspati : Which Oil to Use ? 1054
End of a Dichotomy 1056
Reserve Bank and Sick Units 1057
Changing Face of Rural Bihar 1058

Point of View

The Budget and the Export Drive
—Dr R.S. Nigam & Sri Ram Khanna 1060
Ceiling on Lending Interest Rates
—Dr. C. D. Maheshwari 1063
A Taluk in Transition
—N. Desinga Rao 1065

Window on the World

Poland's Ambitious Plan
— Jossleyn Hennessy 1071
IMF and International Banking Community—H. Johannes Witteveen 1074
Japan: Outlook for Growth
—IMF Survey 1080

Company Announcement

Industrial Credit and Investment Corp. of India Ltd. 1076-77

Trade Winds

Food Output at 116 m. Tonnes; Fertiliser Production by 1979: Punjab Tops in Per Capita Expenditure; AP Gets World Bank Loan; No Change in Credit Policy; Impounding Dearness Allowance; NCAER on National Economy; Consumer Fatigue; Coal Production and Export; Hathi Panel's Suggestions; UN Aid Scheme for ESI Workers; World Interest Rates; EEC Market for Indian Goods; Growth in Tourist Traffic; Names in the News. 1083-87

Company Affairs

Mahindra Ugine Steel; ITC; Indian Bank; Svadeshi Mills; EID—Parry; Rajasthan Financial Corporation; Ahmedabad Advance; Hindustan Organic Chemicals; News and Notes; New Issues; Dividends 1088-92

Records and Statistics

Report of Ministry of Industry and Civil Supplies: 1975-76 1093

Negotiations at Nairobi

THE DEVELOPING countries are trying at Nairobi, the venue of the United Nations Conference on Trade and Development (UNCTAD-IV), to wrest some substantial concessions from the developed countries in terms of the Manila declaration so as to bring about a new economic order in the world. If the US secretary of State, Dr Henry Kissinger's 10,000-word address to this conference is taken as representative of the attitude of all the rich countries, the fate of UNCTAD-IV does not look very promising. Perhaps the organisers of this conference took an unwise step in holding it in the year of US presidential election.

The bloc of developing countries numbering 110 had sought relief through a programme which was designed to yield fair prices for raw materials and commodities. Past experience had clearly shown that the economies of the poor countries were severely hurt by sharp declines in the prices of the few export commodities which were the main earners of their income. The plan drawn up by the UNCTAD secretariat envisaged the establishment of a common fund (initially equivalent to $3000 million) to finance buffer stocks of at least 10 commodities. The central idea behind the creation of the buffer stock was to iron out violent fluctuations in the prices of these commodities. It enjoyed the support of the UN Secretary-General, Dr Kurt Waldheim, and the UNCTAD Secretary-General, Dr Gamani Corea; both of them felt that it was the best way to help in strengthening as well as stabilising the commodity markets and that without a binding element the programme would lose much of its essence.

Dr Kissinger agreed that the developing countries needed economic security against cycles which devastated export earnings and undermined development but he was against making the developed countries responsible for stability in the prices of the agreed 10 commodities. He advocated the case-by-case basis of working out the corrective measures for stabilising export prices. He further stated that the USA had already signed agreements on coffee and tin and that his country would participate in negotiations on sugar. Later on, measures would be worked out to support copper and cocoa prices. In short, on this ticklish question the developing countries found themselves back to hole one.

Understandably, the sharp shift in reserves consequent upon the success of the oil cartel unnerved the rich countries who are now keen to thwart any attempt of the developing countries to establish similar arrangements in the case of other commodities as well. The Manila declaration is, however, based on the willing cooperation of the rich and the poor countries and does not depend for its success on the cartels. This has naturally caused great resentment among the developing countries whose representatives have given expression to their frustration with the tactics of the industrially-advanced countries in unmistakable terms. For instance, the Philippine president Ferdinand Marcos advocated the creation of the "Third World economic system". Because the major issues of global economic order had remained where they were 12 years ago, he also envisaged grim prospects of protracted confrontation over these problems. The moot question was whether the poor countries of the world could unitedly force their demands on the unwilling rich countries.

Recent studies have shown that the prophesy of the club of Rome relating to the exhaustion of raw materials during the next two or three decades was baseless. For example, the world reserves of iron ore in 1966 were estimated to be five times the level computed in 1954. Copper reserves in 1972 were $3\frac{1}{2}$ times higher than the estimate made in 1939. Similar was the case with other raw materials such as bauxite. An increase in the prices of raw materials enhanced the reserves by bringing in new areas for exploitation. Even in the case of crude oil, new areas were being exploited after the sharp increase in prices. And an increase in the number of suppliers of a commodity made united action somewhat difficult. In short, the suppliers of raw materials and commodities have no option but to thrash out, through moral pressure and persuasion, a working arrangement with the industrially-advanced countries. Cooperation and not confrontation holds the key to this highly complex problem.

Jossleyn Hennessy

Eastern Economist **learns with sorrow that Jossleyn Hennessy, who had been contributing a London Letter to its columns for many years, passed away in London last week. It shares with its readers a deep sense of loss.**

For a number of years the developed countries had agreed to bridge the gap in levels of living between the rich and the poor countries by transfer of resources through grants and loans. Unfortunately, their record in this regard had been rather depressing. In the case of the USA, for example, economic assistance as a percentage of gross national product dropped from 0.53 in 1960 to 0.25 in 1974 and is expected to fall further to 0.17 in 1977. In the case of the UK the corresponding percentage fell from 0.53 in 1960 to 0.38 in 1974 and is expected to drop further to 0.30 in 1977. West Germany alone has shown some improvement in aid from 0.31 per cent in 1960 to 0.37 per cent in 1974.

Even indexation of prices of raw materials in line with the price of manufactured goods and machinery is disliked by the industrialised countries because it will deny them a major instrument of increased income through perpetually favourable terms of trade. The possibility of persuading the developed countries to the acceptance of indexation is therefore remote. If by any chance the developing countries should succeed in selling this idea to the developed countries, they should then give up all hopes of increased economic assistance from the rich of the world.

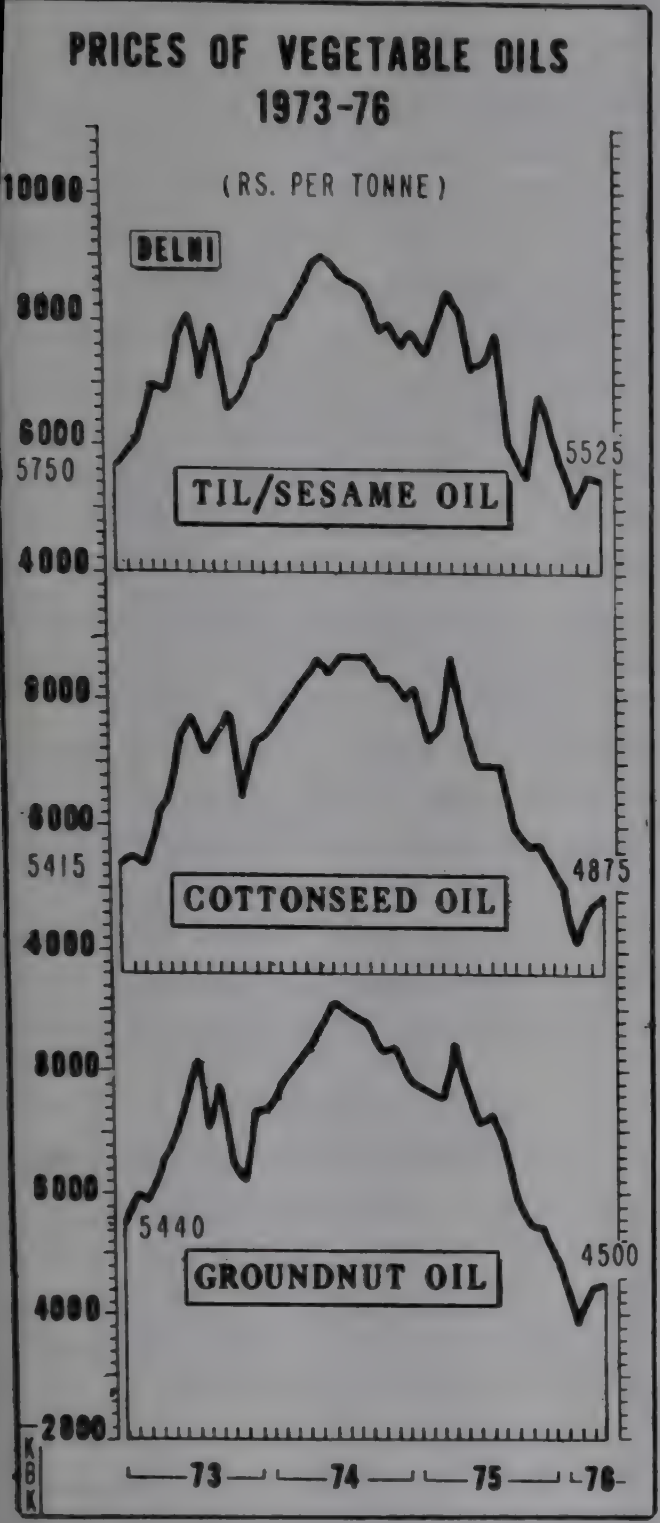
Surely a way will have to be found sooner or later to reduce the gap between the standard of living of the rich and the poor countries. But in the meantime the developing countries must join hands among themselves for promoting industry and trade relations. These countries must learn to help one another before seeking assistance from the rich countries. The recent experience of the newly-rich oil exporting countrie which once belonged to the group o developing countries and have no formed a group of their own, is rathe disappointing. They have not com forward to patronise the developin countries to any significant extent. I fact, they have placed orders fo industrial products and machinery increasingly with the developed countries of the world even though many of the developing countries possessed similar capabilities. Before they entertain hopes of generous gestures from the developed countries, the developing countries should inculcate a sense of comradeship among themselves.

Vanaspati: which oil to use?

AT THE 30th annual general meeting of the Vanaspati Manufacturers' Association of India held in Bombay on April 30, 1976, the chairman, Mr C.V. Mariwala, gave full-throated support to the decision of the government to lift statutory price control on vanaspati in January last year. Citing figures of steady increase in the production of vanaspati in the post-decontrol 16 months, he rightly came to the conclusion that removal of superfluous and illogical constrains helped industrial growth and that the supply of essential articles of mass consumption such as vanaspati could be increased by lifting all controls. Currently not only vanaspati is freely available in the market, its price has also registered a sharp decline.

Since 80 per cent of the cost of vanaspati depends on edible oils, there is a very close relationship between the prices of vanaspati and edible oils. The prices of edible oils in turn are dependent upon the oilseed crops which are not infrequently victims of the vagaries of the monsoons. As the graph on the next page shows, the prices of edible oils tend to fluctuate violently. Groundnut oil price in Delhi rose to the peak of Rs 9150 per tonne and dropped to less than half at Rs 3950 per tonne in February this year. The movements in the prices of cotton-seed oil and sesame oil were broadly sympathetic though minor variations between themselves were inevitable. With fall in the prices of edible oils and consequently of vanaspati, the demand for the latter has picked up leading to increased use of available capacity.

In some parts of the country, the consumer prefers to use groundnut oil instead of vanaspati which is no more than hydrogenated edible oil. If the manufacturers of vanaspati are given a free hand in the use of oils for conversion into vanaspati, they will naturally go in for one which is the cheapest. In recent months, groundnut oil has been cheaper than cotton-seed oil or sesame oil. Fearing that the industry would tend to use a larger share of groundnut oil in the composition of vanaspati, the government directed the industry not to utilise more than 25 per cent of groundnut oil. Rightly the government took the nd that such a measure would lead increased production and conse- uently consumption of cottonseed l, edible grade rice bran oil, niger-



seed oil, sunflower oil and other minor oils. Unfortunately, when the vanaspati industry was poised to boost its production, cottonseed oil and other minor oils were not available in sufficient quantity. The industry had two choices open to it. It could either abide by the directive issued by the ministry of Agriculture and Irrigation causing curtailment in output or flout Krishi Bhavan's mandate and increase production by using whatever oil was available in the market. A majority of the units opted for the latter alternative which earned it the displeasure of the government but brought bouquets from the consumer who felt relieved because of easy availability and reduced prices of vanaspati. Among the vanaspati manufacturers there were some who were too timid to ignore the instructions from Krishi Bhavan and continued to use high-priced oils instead of the cheaper groundnut oil. The industry produced about 50,000 tonnes of vanaspati every month which more than met the full demand of the market.

And now the vanaspati manufacturers who have used groundnut oil more than the prescribed limit are being urged to switch over to other oils and make for the excessive use of groundnut oil. The dilemma facing the industry has been explained by Mr Mariwala in these words: "Groundnut, mustard, cocount and sesame oils account for 2.3 out of 2.6 million tonnes of edible oils produced in the country. The industry is not allowed to use mustard and cocount oils at all. There is not enough sesame oil to meet even the 10 per cent liquid use requirement of the industry. It is impossible to draw out every drop of the minor oils like niger, kardi, sunflower produced in different nooks of the country. Therefore, if the industry is to comply with the 25 per cent ceiling on the use of groundnut oil, the output of vanaspati cannot rise above 400,000 or 450,000 tonnes when the demand is of the order of 600,000 tonnes."

industry's admission

The industry has conceded that a large number of manufacturing units have failed to conform to limits specified by the government in regard to the use of different oils for the manufacture of vanaspati. The government also is fully aware of the pecular circumstances in which the industry was placed. While the industry was expecting a generous pat on the back from the government for having increased production of vanaspati, it has now to face the charge of ignoring the instructions of the government in regard to the utilisation of different oils. Surely a way can be found by which the industry can be made to utilise increased

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Eastern Economist 30 Years Ago

MAY 10, 1946

Nearly three quarters of the year have gone by since the end of the war and the movement of goods and services across political frontiers and across the oceans has not yet become as free as might have been wished for. The demand has changed from war to peace materials. Reconversion has therefore to be got on a large-scale before any considerable trade in the peace time goods can be resumed in any considerable volume. The war has left a legacy of scarcities of several commodities especially those generally in common and widespread demand and use, thus necessitating continuance of controls. But the general tendency is one of increased relaxations. About the end of the last year the Combined Raw Material Board and the Combined Production and Resources Board have been discontinued. A limited number of industrial material and products that are still in short supply have compelled joint international control. Thus five special international commodity committees are still controlling some industrial materials still in short supply. They are Rubber, Tin, Hides, Skins and Leather, Textiles and Coal. The Combined Food Board is scheduled to be liquidated next year.

The question naturally arises as to how long the present situation of a seller's market will continue and when changeover to a condition where real efforts will again be needed to maintain sales, and where considerations of price, quality, style and selling terms will again become significant. The existing situation is one of competition among consumers for the available stocks of goods and no return to normalcy would have been made until this is displaced by a competition between manufacturers to sell their products.

quantities of other than groundnut oil in the next season so as to make up for the shortfall. It is no use blaming the units for making increased use of groundnut oil because under the prevalent circumstances they found themselves absolutely helpless.

It is the claim of the vanaspati manufactures that they have done considerable extension work regarding the development of oilseeds, though this claim is countered by the Northern India Oil Millers' Association. The millers feel that the Vanaspati Manufacturers' Association has done next to nothing for the increased output of oilseeds in northern India particularly. At a time when the emphasis is being shifted by the government to the furtherance of the rural economy, it is essential that the vanaspati manufacturers should devote more attention and resources to the promotion of the oilseeds crops. While the Associated Chambers of Commerce and Industry in its recent annual session in the capital had suggested a strong link between industry and rural development, the Vanaspati Manufacturers' Association had better give careful thought to such measures as would increase the production of oilseeds thus making the raw materials needed for them easily available.

End of a dichotomy

ONE GOOD that the symposium held recently in the capital by the Associated Chambers of Commerce and Industry has done is to give a burial to the dichotomy that existed in our country between industry and agriculture. The captains of industry have come forth with an offer to help in a big way in rural regeneration.

Not long ago it was argued in this country that concentration on industrial expansion alone would carry the country into the modern age. With a spell of bad weathers the pendulum swung to the other end and it was sheer necessity which forced us to place increased emphasis on agriculture. The Assocham symposium has put the picture in the right perspective. At last it has been realised that industry and agriculture have a complementary role and, what is more encouraging, industrialists have come forward with specific proposals listing how they could assist in an integrated development of our economy.

As argued in these columns earlier, it is not to be expected that big industrial houses can substitute the extension work that is being carried on in the countryside by the various governmental and other agencies which no doubt needs to be streamlined as well as expanded. Out of the 57,000 registered companies, it was argued, hardly the top 350 could adopt villages. These could at best provide nuclei for development over a limited area.

The idea of growth centres has caught the imagination of the planners as well as administrators. Mr A.D. Moddie elaborated the concept at the Assocham seminar; he said that growth centres can stimulate a coordinated effort by industry, commerce and banking by a two-way flow of produce from the farm and of industrial products and services to the farm. This could set in motion a "synergestic growth process for higher productivity, higher marketable produce, higher income, higher employment and a higher standard of rural living".

A growth centre is expected to be a focal point for the economic, social, cultural and industrial development of the area around it. In the past the rural sector was engaged exclusively in primary production and the urban sector was mainly engaged in the secondary and tertiary activities. Growth centres should help the planning of secondary and tertiary activities in the rural areas.

The local market town, a road junction settlement, a tehsil or taluka town which has some market facilities and economic infrastructure could form a growth centre. The primary concern of these growth centres should be to stimulate productivity, generate increased employment, promote large consumption of goods and services and encourage movement of enhanced volume of marketable surpluses in agriculture, horticulture and fisheries through regulated markets. Industry can help growth centres by providing joint agricultural services and inputs in adequate quantities at the right time and at the right price. Manufacturers of farm equipment and the distributors of HYV seeds, fertilisers, pesticides and diesel could cooperate in the establishment of agro-centres to meet the farmers' requirements from under one roof.

major difference

The difference between the growth centre concept and the adoption of villages by business houses is that, whereas the growth centre will give opportunity to small and medium businessmen in large numbers to participate in the development process all over the countryside including the remotest corners, adopted villages will be essentially implantations in limited numbers and may or may not be in tune with the surrounding rural scene.

Dr Swaminathan, Director General, Indian Council of Agricultural Research, however, envisaged a singular role for industrial houses in the development process in a big way. Advocating a consortium approach, he cited four instances in which business houses could help in rural regeneration. Businessmen, he said, could join hands with rural agencies in making use of the millions of hectares of black soil in Madhya Pradesh where hardly 8 to 10 er cent of land was irrigated. He lso suggested that industry could take p plantation crops in the Himalayan orth-eastern region. In the Indo-angatic plain, industrialists could help n the reclamation of alkaline and aline lands. Viewed in human terms he developmental process should help o improve the quality of the lowliest nd the poorest among our peasantry. t should put a little more money in the hands of the landless and the smallest farmers and relieve the housewife of dredgery in our villages. In this connection Dr Swaminathan referred to Gobar gas. As such, at present, Gobar gas plants could be set up only by the more affluent of the farming community who own at least four or five head of cattle. This again left the poorest among the peasantry with one or two cattle or none at all devoid of this facility. He suggested that industrial houses could help in devising community Gobar gas plants which would enable the whole village to avail of the facility of lighting their hearths and homes as well as fertilising the smallest farm holdings.

unlimited opportunity

Agriculture is the prime industry in the country. So far hardly 10 to 15 per cent of our farming community has availed of the technological improvements by way of high yielding varieties of seeds, fertilisers, pesticides or improved farm implements and even this little has given commendable results through improvement in the economic condition of the areas where these innovations have been introduced. There is a vast area that awaits development and all the resources of the nation, human, material as well as managerial, require to be pooled to bring technological improvements in our farming.

Realising this the Assocham has selected 12 specific areas where industry can assist in improving the standard of living of those peasants who live below the poverty line. Included in the programme are adoption of villages by industrial houses for intensive development, formation of consortia of companies to deal with specific problems in specific areas, helping formation of agro-centres and contribution to research and training programmes. As an earnest of its determination to pursue this goal, Assocham has set up a permanent watchdog committee to oversee the actual implementation of the programme and give directions to its constituents where needed.

According to studies made, the ratio of capital needed to create employment in agriculture and allied activities to that in industry is 1: 20. Considering this potential, there has been belated though welcome appreciation of the complementary role of industry and agriculture. If agriculture prospers, industry as a consequence will thrive. It is imperative that planners, industrial houses and banking institutions work in close cooperation to bring a scientific temper to our villages, help in their balanced development and assist in extending modern farming activity with required inputs into areas hitherto unattended.

Reserve Bank and sick units

THE RESERVE Bank of India has recently decided to set up a cell to detect sickness in industrial units and to take effective and timely measures to restore them to health. This initiative is commendable. But how far will the cell be able achieve its objective? The Reserve Bank held a seminar in Bombay on April 28 in which the representatives of the State Bank, the union ministries of Finance and Industry, commercial banks, the Industrial Development Bank of India, the Industrial Reconstruction Corporation and the National Institute of Bank Management discussed the various aspects of the problem of industrial sickness. The RBI could have invited also the representatives of the governments of those states where, as in West Bengal, this problem persists in an acute form, to participate in the seminar.

Dr K.S. Krishnaswami, the Deputy Governor of the RBI, rightly stressed the importance of preventing sickness in industries. He said that this involved the locking up of banks' resources, wastage of capital assets, loss of production and unemployment. He urged the financial institutions to look at the problem not as one of safeguarding their interest but of contributing to the long-term viability of the units. He observed that it was necessary to devise some method by which an early warning would be given to the financial institution about the potential sickness of a unit so that preventive action could be taken sufficiently in advance. He also suggested that a suitable strategy should be evolved to go into the multiplicity of causes for the sickness.

But it is not clear how exactly the Reserve Bank's cell will operate. For instance, will the cell give any suggestion to the ministry concerned to modify its policy suitably with a view to preventing sickness in a unit or in an industry as a whole? To take a specific case, hundreds of auto ancillaries especially in the eastern region are sick because of the lack of demand for cars. The automobile industry has been saying that, so long as the price of petrol remains at the present high level, the demand for cars will not pick up substantially. The jute industry has been pleading for a variety of incentives and concessions in order to improve its viability. A few mills are already closed and more may follow suit in the near future. In situations like these where major policy decisions are involved, how far can the Reserve Bank and the other financial institutions contribute to the prevention of sickness? It is not enough if the Reserve Bank's cell warns the financial institution concerned about the impending sickness of a unit. It is also necessary to pass on this information to the government with appropriate recommendations.

management assistance

The seminar suggested that since, in the case of many sick units, the remedy lay in providing management assistance, it would be necessary to constitute a pool of professional managers and financial and technical experts to which the financing institutions could have access. But it is not going to be easy to set up and operate such a pool. There is a dearth of financial and technical experts and even the Industrial Reconstruction Corporation has been finding it difficult to get the right type of men. Unless such experts are provided with attractive salaries and perquisites it will not be possible to obtain and retain their services. Incidentally, it is worthwhile to enquire why the Industrial Reconstruction Corporation has not been able to make much headway in restoring the sick units to health. A perusal of the annual reports of the Corporation since its inception will reveal that its task has been made extremely difficult not only due to the paucity of competent technical and financial experts but also because of various factors such as the credit restrictions, the high rate of interest, the levy of excise duties at excessive levels causing a sharp decline in demand, and so on.

Dr Krishnaswami emphasised the importance of an integrated approach to deal with the problem of sick units. But the implications of such an approach have to be clearly analysed and understood. It is seldom that a unit or an industry falls sick suddenly. In West Bengal, for instance, many major industries have been sick for a long time. In the tea industry, sickness of a serious nature has been persisting for more than a decade but neither the central government nor the state government took prompt action to deal with the problem. The government both at the central and the state levels should be more sympathetic to the difficulties of industries and provide timely relief. Industries and their organisations have also to play their part in averting sickness. Apart from ensuring honesty and efficiency in management, indusrial associations should be specific while highlighting their problems and suggesting solutions. For instance, in the past few years, it has been pointed out that the non-availability of bank credit has been affecting industrial production. But no industry has been able to prove that its production has actually suffered due to the lack of credit.

The seminar stressed on the need for a comprehensive information system as suggested by the Tandon committee. But banks and the other financial institutions should have adequate information not merely about their borrowers but also about the trends in industrial production and consumption They should also be correctly informed about the economic situation in other countries since a recession abroad may affect our export-oriented industries and make them sick. But the official statistics regarding industrial production and exports continue to be issued very late and, in many cases, they are not comprehensive. For instance, reliable data about the performance of small scale industries are not available. The problem of sickness in industries therefore has to be tackled from several angles. Success in this field will depend largely on how effectively government and industry cooperate with each other, and the banks and other financial institutions pursue realistic policies in providing financial and technical assistance.

Changing face of rural Bihar

Dr Jagan Nath Mishra, the chief minister of Bihar, (who also holds the Finance portfolio), proposed in his budget speech to cover the deficit of Rs 14.67 crores in the state's budget for 1976-77 through additional taxation, details of which were being worked out. He added, however, that the net estimated deficit might go up to Rs 51.67 crores if the state government was allowed to take up during the year development projects involving an expenditure of Rs 37 crores beyond the approved state Plan. The state has not yet received the consent of the central government for these schemes. As most of the new schemes are likely to benefit the rural poor, there is ample justification for the stepping up of the Plan expenditure.

With nearly 90 per cent of the state's population living in the rural areas and nearly 40 per cent among them being landless agricultural labourers, the human pressure on land in Bihar is severe. Under such conditions, some positive steps to improve the face of rural Bihar are indeed essential.

Unfortunately a large number of small rural development schemes taken up in nearly 590 blocks of the state are lying incomplete. These include such vital projects covering the construction of 4,500 irrigation wells and 2,500 drinking wells. The schemes could not be completed in recent years largely because of the paucity of funds. As a first step, therefore, the Plan for 1976-77 has made adequate provision for the completion of these on-going small schemes.

An interesting development for the

nprovement of the rural Bihar has een a pilot research project in Tankauia block of East Champaran district. riginally it was sponsored as a central roject but has since been passed on to he state sector. The project envisaged the setting up of a research and investigation cell to evolve a methodology for the development of emerging growth centres by providing social and economic overheads in delineated areas in terms of a carefully prepared inventory of local needs. As a follow-up, survey and investigation work in the entire district of East Champaran has been completed and the incorporated development plan of the district will be ready by the end of the current financial year.

During 1976-77, work will be taken up in the district of West Champaran too, so that a development plan for Champaran as a whole might be formulated. In the tribal areas too, the work has been started in Bero block in Ranchi district. During the next financial year, the area of operation is to be extended to cover one of the sub-divisions of this district. The Ford Foundation has sanctioned a grant of 45,000 dollars for obtaining technical assistance from the Indian Institute of Technology, Kharagpur, for completing this exercise in the districts of East and West Champaran and Ranchi. Both the ministries of Agriculture and Finance have already given their approval in this regard.

important factor

An important factor in the improvement of rural life in Bihar is the provision of assured irrigation in vast areas which are dependent upon the monsoons. In fact large areas of the state are periodically visited by floods or droughts, thereby making major and medium irrigation projects, which also have an element of flood control in them, important for the region. Some of the on-going projects and schemes that are being executed during the current financial year include the Kosi Barrage and the Eastern canal, Gandak project, Western Kosi, Rajpur canal, Sone High Level canal, Chandan reservoir project, North Koel project, Udarasthan irrigation scheme, Belharna reservoir scheme and Sunder reservoir scheme. High priority given to the implementation of ongoing projects is justified as the benefit from these projects will start flowing soon. Accordingly, out of the overall proposed outlay of Rs 70 crores for the next year, as much as Rs 43.55 crores are being provided for the continuing schemes.

The state is hopeful that the Chandan reservoir project in the district of Bhagalpur and Santhal Parganas with an ultimate irrigation potential of 62,750 hectares will be completed in all respects during 1976-77. The physical benefits from all the major and medium irrigation projects by the end of 1976-77 will amount to an additional irrigation potential of 105,000 hectares. The level of utilisation of irrigation potential is likely to go up to 121,000 hectares, thereby raising the level of utilisation to 70 per cent by the end of 1976-77, against 65 per cent at the end of the fourth Plan period.

intensive cropping

The plateau region of Bihar, where nearly 95 per cent of the people are living in rural areas, is all the more dependent upon the vagaries of the weather. Most of the cultivated land of Chhotanagpur and Santhal Parganas is monocropped. In fact a sizeable area is cropped once in two years or once in three years, thereby reducing the intensity of cropping. Dry farming experiments conducted under a centrally-sponsored scheme at Chandwa block of Palamau district have shown that with proper soil and water management practices rabi pulses and oilseeds can be grown after kharif paddy and maize. This is likely to increase the intensity of cropping and thereby the total foodgrains production. These practices are proposed to be applied in neighbouring blocks to increase total foodgrain production during 1976-77. If these experiments succeed over a large area, the backward plateau region will receive the much deserved relief. The plateau region as well as parts of south Bihar, which are chronically drought-prone areas, are also being exposed to another experiment, namely drought prone area programme. It includes the demonstration and introduction of drought resistant crops in the area. As much as 50 per cent of the total cost is to be borne by the central government.

contingency plan

The state has prepared another contingency plan for flood and drought affected areas. It was observed that mostly the floods were delayed and the cultivators were left with no time to grow seedlings after the water receded. The state has proposed to grow paddy seedlings on government farms in flood free areas. These seedlings are to be supplied to farmers in the flood affected areas. Similarly in the drought-prone areas, seedlings of marua and other millets will be grown on government farm and will be supplied to the farmers. These measures will further help the farmers in adoptting the crop rehabilitation programme in the affected areas and in providing considerable self-reliance among the rural population.

What is likely to be the net result of these varied programmes taken up by the state in improving the lot of the rural poor in Bihar? The answer to this question should be available after these schemes have gone on for a year or two. All these schemes appear fairly sound in their conception and the state seems to be fairly serious in their execution. It is essential, therefore, that the state administration should make available a separate assessment of the cumulative positive gains of these schemes for the benefit of those who have been watching the progress of these efforts with keen interest.

POINT OF VIEW

The budget and the export drive

Dr. R.S. Nigam and Sri Ram Khanna

Dr. R. S. Nigam is Professor and Head of the Department of Commerce, University of Delhi and Sri Ram Khanna is Research Scholar, Department of Commerce, University of Delhi. They believe that a comfortable foreign exchange position has come to India's rescue temporarily and medium-run outlook of our balance of payments continues to be uncertain.

THE CENTRAL government budget is an important instrument of economic policy which is usually designed to take care of the changing economic and social interests of the society. The 1976-77 budget has been framed with this basic objective in view and appears to be an excellent exercise in promoting the twin objectives of growth with social justice. In the process of promoting growth one should not forget that a developing country such as ours has been facing tremendous foreign exchange deficit for the last so many years which has recently been accelerated on account of phenomenal increase in import bill of oil and petroleum products.

evaluating the impact

As such it is natural for the budget makers to emphasise the role which fiscal and economic policies can play in earning more and more foreign exchange for financing the mounting import bill. This article examines the budget proposals of 1976-77 and attempts to evaluate their impact on India's export drive.

India's foreign trade deficit of Rs 1164 crores during 1974-75 widened to Rs 1235.62 crores for the ten months ended January, 1976. A comfortable foreign exchange reserves position has come to India's rescue temporarily but by all standards the medium-run outlook for our balance of payments continues to be uncertain.

self-reliance

As opposed to the proclaimed national goal of 'economic self-reliance' our country seems to have accepted the continued dependence on foreign assistance as a measure of meeting the foreign payments deficits. Today, India is burdened with a gross external debt of Rs 12015.96 crores on which every year capital and interest payment of these loans must be made. External assistance received during the year 1974-75 was Rs 1055.54 crores as against the current year's figures of Rs 1023.93 crores. For the budget year 1976-77 it is estimated to be at Rs 1206.14 crores. We had to pay in foreign exchange amounts of Rs 341.64 crores and Rs 185.67 crores as capital repayment and loan interest respectively during the year 1975-76 (revised budget estimates). These figures in the 1976-77 budget proposals stand at Rs 391.29 crores and Rs 195.56 crores respectively.

The growth oriented budget proposals for 1976-77 involving an impressive outlay of Rs 7,852 crores are expected to increase considerably the internal demand for maintenance and developmental imports during the coming year. This increase in imports is borne out by the expected increase in state revenue from custom duties to the extent of Rs 113 crores during 1976-77. With successively larger Plan outlays expected for future years in a growing and import hungry economy as ours, developmental and maintenance imports are bound to increase progressively. With all these one can expect a wider trade gap in coming years, if nothing substantial is done to arrest this trend by taking up crash programmes of export promotion.

Consistent with our national goal of 'self-reliance', the only magic that appears feasible is a progressive increase in India's export efforts to push the export figures from an estimated Rs 3,800 crores in 1975-76 to a progressive real growth of over 10 per cent per annum, A real growth rate of 10 per cent can be interpreted to mean a growth rate of over 18 per cent per annum in terms of value, keeping into account exchange fluctuation losses.

trade's expectations

Many exporters' organisations and chambers of commerce had expected that the government would recognise this need for a major export boost and announce concessions in the form of fiscal incentive to exporters and finance efforts at easier entry into foreign markets. In his budget speech the Finance minister, while recognising that an eight per cent real increase in exports was necessary, announced certain measures which would assist exporters. However, none of his budget proposals contained fiscal incentives specifically designed to boost exports. His statement regarding the revision of cash assistance for exporters and the new liberal procedure for payment of uty drawbacks has been widely velcomed. It is pertinent to point out ere that the absence of specific fiscal ncentives for export-oriented sectors has also dampened the pre-budget enthusiasm of expectant exporters.

For developing industrial capacity and increasing production, major export oriented industries such as cotton textiles, jute and sugar (which have not devoted enough resources for expansion, modernisation and renovation in the past years) are being provided sufficient finance to carry out their long needed rehabilitation and modernisation programmes. The budget proposals provide Rs 12.2 crores to the Industrial Development Bank of India (IDBI) for financing requirements of these industries in collaboration with other term lending institutions.

investment allowance

The new scheme of investment allowances which replaces the present scheme of initial depreciation allowance has been conciously extended to eight priority and export oriented industries. These industries include inorganic heavy chemicals, organic heavy chemicals, synthetic rubber and rubber chemicals, industrial sewing machines and finished leather and leather goods including footwear. Under this new scheme of investment allowance in the corporate sector an allowance of 25 per cent on the cost of new machinery installed after March 31,1976 will be granted. However, if the reserves from this allowance are not utilised within ten years they will become liable to taxation. The extension of this scheme to the export oriented industries will help to increase the competitive strength of these industries in the international markets.

Two concessions which have an indirect effect on exports through incentives for increased foreign exchange inflow have also been introduced. First, non-resident Indians making investment in the equity of certain priority and export oriented industries will be exempt from wealth tax. Second, Indians returning from abroad will be exempt from wealth tax for seven years in respect of their savings repatriated to India. The second concession is expected to have only a marginal indirect effect on exports, but it is designed to increase inflow of foreign exchange.

Some concessions (whose details are not yet available) in respect of enhancing the international competitive strength of Indian tea are also proposed as a tea export promotion measure. The recent abolition of export duty on carpet-backing, hessian and sacking which involved a loss of Rs 20.65 crores in export duties to the state exchequer reflects the government's anxiety to enhance Indian exports of these commodities by making them more competitive. The government recognised this necessity in time as exports of jute goods had declined sharply due to a slump in the US market and tough competition from Bangladesh.

duty on groundnuts

The imposition of export duty on groundnuts and the increase in export duty on coffee will increase total export duty realisations from Rs 69.15 crores in the current year (1975-76) to Rs 84.60 crores in the coming year 1976-77. It is believed that these duties will not affect the exports of groundnut and coffee adversely.

Excise duty concessions on a number of items including synthetic plastics, consumer durables such as TVs, refrigerators and water coolers etc will have a favourable impact on effective demand for these items in the internal market. However, these concessions are expected to have no visible impact on exports of these items as current rules allow for duty drawbacks on exported items.

The expenditure outlay to increase our export efforts this year looks impressive at the order of Rs 190.5 crores as against Rs 171.77 crores in 1975-76. This expenditure, proposed to be incurred under the ministry of Commerce in major part, also includes Rs 10,000 and Rs 40,000 to be spent by the Department of Food and the union territory of Delhi respectively towards export promotion. Another Rs 1.5 lakhs is proposed to be spent by the ministry of Industries and Civil Supplies towards export promotion. A capital outlay of Rs 63.84 lakhs is also proposed in respect of foreign trade and export production.

The Market Development Fund (MDF) which was allocated Rs 87.28 crores in 1975-76 for export promotion on activities such as product promotion, commodity development, export credit development, export development organisation, and market development abroad, and which was being administered by a committee in the ministry of Commerce has been discontinued this year. However, direct marketing promotion expenditure is proposed to be incurred on schemes of Compensatory Support for non-traditional items. Under these schemes, banks and other financial institutions are to be given a subsidy for concessional export credit interest rates. A comparative view of export promotion allocation can be had from the figures in the table on page 1062.

recurring grants

These expenditures also inlude recurring grants given by the ministry of Commerce to organisations such as export promotion councils, Indian Institute of Foreign Trade, Trade Development Authority, Federation of Indian Export Organisations, Indian Council for Trade Fairs and Exhibitions and Indian Institute of Packaging.

The State Trading Corporation of India (STC) and the Minerals and Metals Trading Corporation of India (MMTC) which were allocated Rs 2 crores and Rs 6 crores respectively in 1975-76 are not allocated any money for 1976-77. The Cotton Corporation of India which purchases, sells, distributes and also imports cotton is allocated Rs one crore, while the Jute Corporation of India and the Tea Trading Corporation of India (TTCI) are allocated Rs one crore and Rs 51 lakhs respectively for 1976-77. Out of Rs 51 lakhs proposed for TTCI, Rs 26 lakhs are proposed for the acquisition of the Pathini Tea Estate. Both the Jute Corporation of India and the TTCI undertake important work for increasing exports of jute and tea respectively.

An outlay of Rs 7.73 crores as against Rs 7.36 crores in 1975-76 is envisaged for the development of plantation industry based on export items such as tea, coffee, rubber, cardamom and tobacco. Rs 353 crores as against Rs 260.02 crores in 1975-76 are proposed for technical credits to ensure a steady flow of Indian exports to the USSR, Egypt, Sudan and east European countries. Our trade and payment agreements with these countries provide for financing through rupee accounts with the Reserve Bank of India with the help of technical credits.

promotional expenditures

Other expenditures proposed in the budget designed to assist the Indian export efforts include Rs 16.5 crores for overseas communication service, Rs 9 lakhs for a testing and quality control cell for foreign trade electronics items, and Rs 10 lakhs to set up a Leather Corporation of India. The Shipping Development Fund will get a loan of Rs 70 crores to finance the shipping industry for acquiring new ships.

Many of the steps outlined in the union budget for 1976-77 as mentioned above are expected to serve as a positive incentive for our export trade and build up export capabilities. However, direct fiscal incentives to make investment more profitable in export-oriented industries are conspicuous by their absence. It is suggested that profits attributable to exports should be taxed at concessional rates both in the corporate and the non-corporate sector.

Another important suggestion which can be made here is for setting up a 'freight equalisation fund' to neutralise the freight disadvantage suffered by Indian exporters which can provide valuable help to our export competitiveness. In the context of easier and ready export finance, the need for an 'Indian Export Bank' has been voiced at may forums. It is high time the government did something about this valuable suggestion.

The above assessment and analysi of the 1976-77 budget measures clearl shows the awareness of the governmen that the problem of export promotion is very important. In fact the expor sector has been allotted priority bot in planned and non-planned expenditure. Proposals have not came up to the expectations of the exporters as they lack sufficient direct incentives for export marketing. It is high time that the areas which require immediate attention in export marketing be identified and suitable fiscal and other measures be evolved to help Indian

Export Promotion Allocations for the year 1975-76 and 1976-77 (Proposed)

(in lakhs of Rs)

S. No.	Items	Revised budget estimate 1975-76	Proposed for 1976-77
1.	Foreign Trade Control	246.34	238.26
2.	Trade Commissioners Abroad	173.66	174.48
3.	Trade Information & Statistics	63.64	61.34
4.	Trade Demonstration & Publicity	169.35	176.04
5.	Export Inspection Council	21.45	22.16
6.	Directorate of Export Promotion	31.14	28.74
7.	Product Promotion	9,378.00	11,622.00
8.	Commodity Development	128.00	412.00
9.	Export Credit Development	1,006.00	1,000.00
10.	Export Development Organisations	3,682.00	4,666.00
11.	Market Development	1,709.00	150.00
12.	Marine Food Export Development Authority	43.02	79.30
13.	Contributions for International Cooperation	16.00	13.26
14.	Other Expenditure	510.48	406.04
	TOTAL	17,177.08	19,049.62
	Capital outlay items		
1.	Kandla Port Free Trade Zone	14.08	24.18
2.	Electronics Export Processing Zone	29.73	39.66
	TOTAL	43.81	63.84

Source: Demands for Grants, Ministry of Commerce 1976-77 exporters to market their products competitively.

Direct assistance from the Marketing Development Fund which was so far received by the various organisations of exporters should be continued on rational basis even after its proposed abolition. The types of financial and other incentives differ from commodity to commodity and market to market. It is high time that the ministry of Commerce and other concerned offices had this realisation while deciding the policies and programmes of assisting Indian exporters.

Ceiling on lending interest rates

Dr C. D. Maheshwari

The regulatory ceiling limits will go a long way in disciplining banks to promote efficiency and cost consciousness

THE PRESENT situation in our country demands an entirely new concept of banking operations to achieve the twin objectives of reorienting the credit facilities for socio-economic transformation together with giving a new dynamism to the national economy and to establish a judicious balance between resource-mobilisation and bank profitability. How far the recent announcement by the Reserve Bank of India (RBI) fixing a 16.5 per cent ceiling on the lending rates of scheduled commercial banks will improve their operational efficiency and sharpen their sense of priorities is proposed to be dealt with in this article.

levy on banks

The RIB has fixed, effective from March 15, 1976, a ceiling of 16.5 per cent on the lending interest rate chargeable by larger Indian and all foreign banks. The ceiling is inclusive of the seven per cent levy imposed in July 1974 by the government on banks' interest income from advances. This tax on banks' interest income from advances works out to about one per cent of advances. So, the tax reduces the ceiling to approximately 15.5 per cent. The interest rate ceiling will cover advances against commodities subject to selective credit controls.

However, this measure introduces a three tier system of ceiling rates. The 16.5 per cent ceiling does not apply to banks with deposits less than Rs 25 crores. Banks with total deposits between Rs 25 crores and Rs 50 crores have been allowed to charge up to 17.5 per cent, i.e., a maximum of one percentage point higher than the ceiling rate. And for the third type of banks with deposits over Rs 50 crores, the lending interest ceiling rate is 16.5 per cent.

Bank Rate

The other rates of interest, however, continue to be the same as heretofore. The Bank Rate will continue to be nine per cent. No change has been made in the deposit interest rates nor has RBI altered the minimum lending rate of 12.5 per cent prescribed for advances other than categories specifically exempted. Further, the rediscounting and refinancing assistance of the RBI will continue to be discretionary so far as the amount, period of assistance and the rate of interest are concerned. The penal rates of interest on irregular accounts have also been kept out of the purview of the regulatory ceiling limits so as to provide the banks with little scope for flexibility. But the banks at the same time have been warned not to look upon the penal rates of interest as a source of revenue. Disciplining the borrower should in fact be the only criterion behind the penal rates.

In the context of the regulation of the interest rate structure, it may be pointed out that there is always the possibility of the banks enhancing their lending rates if the same are lower than the ceiling rates or reducing the deposit interest rates. To guard against such an eventuality, the commercial banks have been further directed to ensure that there is no upward or downward readjustment of interest rates. The RBI does not want the average rate of interest within the framework of the ceiling to rise. However, within the ceiling of interest rates prescribed, the banks may realign their existing interest rates in such a manner that 'differential between demand cash credit, loan component and the term loan representing the excess borrowing to be amortised is maintained'.

The manner of calculating interest rates has also been changed a little. Many banks calculate interest on monthly basis which in fact enhances the total cost of credit. The RBI has therefore directed the banks to adopt a quarter as the unit, with a view to ensuring uniformity in practices.

rethinking on structure

With the containment of inflation and the acceleration in the growth rate of the economy to a prospective annual rate of six per cent, there emerged a re-thinking on the entire interest rate structure. Moreover, the increase in lending rates by banks after the Bank Rate hike (July 1974) had been rather high and arbitrary, with the result that smaller borrowers were the worst hit. The banks were charging as high as 17 to 18 per cent per annum and in some cases the penal rates went up to as high as 25 per cent, although the Bank Rate was nine per cent per annum and the minimum lending rate prescribed by the RBI was 12.5 per cent. The RBI's further complaint against the banks was that there was a greater spread between the interest rates paid on deposits and those charged from customers. The entire difference between interest earned and interest paid was being dissipated on administration and establishment charges and not much was left for profits, reserves or transfer to government exchequer.

exchange commissions

The irony of the situation in fact was that 'exchange commissions' and 'service charges' were the only two items that contributed to the bank profits. So without an interest ceiling the banks were boosting their income and covering up their deficient cost control. It was in this context and more particularly with a view to bringing about a more 'appropriate relationship' between the Bank Rate and the maximum lending rates, the RBI had to announce a ceiling of 16.5 per cent per annum on bank lending.

The present ceiling on bank lending rate does not prescribe a uniform rate for all advances and for all banks. Not only the advances under the selective credit control but banks with deposits less than Rs 25 crores have also been kept outside the purview of the regulatory ceiling limits. Such banks have been left free to charge any interest rates and the small borrowers, if they borrow from these banks, would not be protected from the rigours of high interest rates.

As only about 15 per cent of the total bank credit is presently lent at over 16 per cent and bulk of the bank credit bears interest at 16 per cent and below, the present interest rate ceiling above the 16 per cent level has no meaning as benefit accruing to the prospective borrower would only be marginal. The impact of the ceiling on the lending rates in the case of the State Bank of India will probably be the least since its base rate is the lowest among the banks. The State Bank of India is charging even lower rates than the prescribed ceiling.

However, to make the country's banking system more dynamic and less expensive, it is quite necessary for the banks which had hitherto been used to a larger spread, not to feel uneasy over the prospect of being asked to operate on the basis of the narrow 'spread'. All over the world, even with a spread of two to three per cent, the banks have been normally operating efficiently and even making some profits. The new regulatory ceiling limits would therefore go a long way in disciplining the banks in order to promote efficiency and make them cost-conscious. The banks shall have to economise on the amounts they spend on establishment and build up a surplus for helping the priority sector.

critical role

The banking industry today has to play a critical developmental role which has been necessitated by the prime minister's 20-point programme. The new role of an enlightened banker envisages creation of a demand for the new banking services from neglected sectors. This calls for banks to function as instruments of social policy for achieving social change of truly gigantic proportions. The 20-point programme with its anti-feudal and pro-peasant overtones has provided a wide field where the banks can adequately deploy their funds in rural and semi-urban areas.

Augmenting advances to priority sectors and maintaining the profitability at a high level by the banking sector is the greatest need of the hour. Priority sector lending and the banks' profitabilty are in fact negatively correlated since lending to priority sectors is certainly less profitable as compared to traditional advances. Moreover, even within the priority sectors themselves, there are certain specified activities such as cultivation, plantation, dairy, poultry, fishery, horticulture, small and cottage industries, retailing and exports etc. which can never be treated on an equal footing. A differential interest rate structure has got to be devised for various borrowers even within the priority sectors.

saving required

However, the loss incurred on priority sector lending has got to be made good by effecting considerable saving in expenses through a cut in bonus payments, curtailment of dearness allowance and cut in overtime payments. It is only then that the present regulatory ceiling will not reduce the banks' manoeuvrability in charging differential lending rates as between priority and non-priority borrowers. The banks' prejudicial approach to non-priority industrial borrowers is unwarranted and over-discrimination against them is certainly detrimental to industrial growth. This distortion has got to be corrected so that a change in attitude on the part of the banks is brought about.

The RBI has already constituted a working group to examine the operational efficiency and profitability of banks. The working group will suggest practical and realistic criteria for the evaluation of the performance of individual banks with reference to the fulfilment of socio-economic objectives of nationwide importance. The RBI panel will also advise on the nature of cost studies to be undertaken by the individual banks for effecting control, rationalisation of service charges and introducing suitable methods for profitability analysis of branches. It is hoped that the working group will come forward with suggestions to change the credit policy from an era of high interest rates to one of a realistic interest rate structure.

A taluk in transition

N. Desinga Rao

The author's findings are that unemployment is increasing alongside increase in literacy in rural regions. There is an urgent need for intensive rural industrialisation in Anakapalle taluk in Andhra Pradesh

A STUDY of Anakapalle taluk in Visakhapatnam district of Andhra Pradesh was undertaken in respect of certain demographic characteristics with special emphasis on workers engaged in various non-farm activities. This is an extension of a similar study presented by the author* in the light of the 1971 data. The major conclusions derived in the previous study were; (a) Electricity is a good substitute for both size and growth centre; (b) Electrified villages, though small in size and far away from the growth centre, fared better compared to their counterparts in the non-electrified group in terms of literacy and workers in non-farm activities; (c) The impact of electricity is observed to be more in trade and commerce, and manufacturing.

main objectives

The main objectives of this study are :

(1) to verify the validity of the findings of the previous study in the light of the 1971 data; and

(2) to examine the change in the variables over the decade.

The first part of this study is devoted to an analysis of the selected characteristics based on 1971 data. And in the second part, growth rates over a decade are computed for selected variables. In this context the formula used is the most elementary one, viz,

$$\frac{(\text{value in 1971}-\text{value in 1961}) \times 100}{\text{value in 1961}}.$$

All the data are taken from the district census hand books, Visakhapatnam, published by the government of Andhra Pradesh for various years.

Rural and Urban Differences: It is observed from Table I that the rural society dominates over the urban society in respect of area, population and working force (97.1% ; 79.4% and 84.6% respectively). But the urban society which constitutes only 20.6 per cent of the total population, has contributed 42.2 per cent of the total educated in the taluk. Similarly, the urban region dominates over the rural region in respect of percentage of workers engaged in trade and commerce (68.1%); non-household industry [manufacturing other than household industry] (53.9%) and other services (40.8%).

From Table II, it appears that the urban society has a high ratio of educated population (43.6%). And in respect of the ratios of workers engaged in various non-farm activities to total workers, excluding household industry, the urban region has high values. The difference is more glaring in the case of trade and commerce (28.3%).

Comparison of General Characteristics-by Group: It is observed from Table III that the electrified villages which constitute about 30 per cent of the total villages shared higher percentages of population and educated (51.6% and 65.5% respectively). It also appears from the per village data that the electrified villages are usually large-sized ones compared to the non-electrified villages. In general, the big villages followed by the electrified group, have the highest percentage of educated population (22.0%) and the lowest percentage of workers to total population (38.6%).

Similar differences are also ob-

TABLE I

Rural and Urban Differences

Items	Total	Percentage of which under	
		Rural	Urban
1. **General Information :**			
(a) Geographical area (in sq. miles)	787	97.1	2.9
(b) No. of houses	54,918	82.3	17.7
(c) No. of households	60,823	79.4	20.6
(d) Population	278,593	79.4	20.6
(e) Educated	59,067	57.8	42.2
(f) Workers	110,612	84.6	15.4
2. **Workers in Selected Non-farm Activities** :			
(a) Household industry	3,937	85.9	14.1
(b) Non-household industry	3,544	46.1	53.9
(c) Trade and commerce	7,100	31.9	68.1
(d) Transport and communications	2,769	74.5	25.5
(e) Other services	8,481	59.2	40.8

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*"The impact of Electricity on Rural Industries" by N. Desinga Rao, *Eastern Economist* [Vol. 65, No. 15], dated October 10, 1975, Pp 681—687.

served between the villages nearer to the growth centre and the villages away from the growth centre. The former has a high ratio of educated population and a low ratio of workers to total population as compared with the latter category. And according to the per village data, there is a high density of habitation in the electrified villages and villages around the growth centre as compared with the rest of the villages.

Comparison of Non-farm Activities-by Group: In terms of ratios of workers engaged in selected non-farm activities to total workers, it is observed from Table IV, that the big villages, the electrified villages and the villages nearer the growth centre, have higher percentages over their counterparts. In general, the big villages show muc higher values. Thus it appears tha size, electricity, and the growth centre have their respective spheres of influenc over the magnitudes of worker engaged in non-farm activities.

Influence of Electrictity Isolated : From Table V, it is observed that there is a difference in respect of the percentage of workers engaged in non-

Table II
Inter-Regional Disparities

Region	Educated as percentage to population	Workers as percentage to population	Percentage of worker engaged in					
			Household industry	Non-household industry*	Trade and commerce	Transport and communications	Other services	Total non-farm activities
Rural	15.4	42.3	3.6	1.7	2.4	2.2	5.4	15.7
Urban	43.6	29.8	3.3	11.2	28.3	10.0	20.3	75.6
Taluk	21.2	39.7	3.6	3.2	6.4	2.5	7.7	24.9

*Refers to 'manufacturing' other than household industry.

Table III
Comparison of General Characteristics—by Group

Name of the group	Percentage share of each group in				Educated as % to population	Workers as % to popution	Per village data with respect to					
	Geographical area	Population	Educated	Workers			Area (in sq. miles)	No. of houses	No. of households	Population	Educated	Workers
Electrified villages (46)	14.6	51.6	65.5	48.2	19.5	39.5	2.4	499	541	2485	486	980
Non-electrified villages (101)	85.4	48.4	34.5	51.8	11.0	45.2	6.5	220	232	1060	117	480
Big villages (5)*	3.9	18.2	21.1	16.7	22.0	38.6	6.0	1659	1811	8094	1781	3124
Small villages (142)	96.1	81.1	78.1	83.3	13.9	43.1	5.2	260	277	1280	178	550
Villages nearer to the growth centre (43)†	12.7	39.4	48.1	38.1	18.8	40.9	2.3	416	450	2029	382	830
Villages away from the growth centres (104)	87.3	60.6	51.9	61.9	13.2	43.1	6.4	263	278	1289	170	556
All villages (147)	100.0	100.0	100.0	100.0	15.4	42.3	5.2	307	329	1506	232	636

* Villages with more than 1000 households. † Villages around five miles to the growth centre (Anakapalle town).

Note: Figures in parenthesis refer to the number of villages in each group.

farm activities, between the electrified groups and the non-electrified groups. The non-electrified groups have much lower values through out. And in general, the electrified big villages group within the growth centre sphere has the highest values for all observations made.

It is further observed that the electrified villages away from the growth centre, especially in the small villages category, have higher ratios of workers in non-farm activities (21.8%) as compared to the non-electrified big villages (8.4%) and the villages nearer the growth centre (9.2%).

The impact of electricity is seen even in the case of small villages in general and the small villages away from the growth centre in particular. This impact is more evident in the case of the manufacturing industry both at the household level and at the factory level.

The apparent influence of such factors as the size and the distance from the growth centre on non-farm activities is disproved by the fact that the non-electrified villages, though big in size and nearer the growth centre, have fared very much worse than their counterparts in the electrified group. And comparing in between the non-electrified category it is found that the small villages and the villages away from the growth centre fared no worse than the big villages and the villages nearer the growth centres.

Growth Rates Over a Decade (1961—100) by Group: It is observed from Table VI that growth rates in population and literacy are very high in the urban region as compared to the rural region (23.43%; 43.87% and 11.70% and 33.63% respectively). There is also a marked difference in the growth rates of the number of households and the number of houses between the rural and urban regions. The urban region reveals a high paucity of housing facilities. There is a great reduction in working force in the rural area (16.80%) as compared to the urban area (0.75%) and there is simultaneous increase in the non-working force.

There is a reduction of farm workers in both the regions. And reduction in non-farm workers is much higher in the rural areas (31.70%). The workers in the household industry are reduced to more than 50 per cent in both the regions. But the workers in non-household industry have gone up at a higher rate (39.82%) in the urban area as compared to the rural area (12.30%). The rural regions suffered a set-back as far as the

TABLE IV
Comparison of Non-Farm Activities—by Group

Name of the group	Total workers	Of which percentage workers engaged in						Per village total workers	Per village workers in					
		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
Electrified villages	45,084	20.9	4.6	2.9	3.5	3.0	6.9	980	205	46	28	34	29	68
Non-electrified villages	48,455	10.2	2.6	0.7	1.5	1.5	3.9	480	49	13	3	7	7	19
Big villages	15,622	25.4	3.5	5.3	5.6	3.0	8.0	3124	793	110	165	175	92	250
Small villages	77,917	13.3	3.6	1.0	1.8	2.1	4.8	550	73	20	6	10	11	27
Villages nearer to the growth centre	35,676	18.3	3.4	3.4	3.2	2.0	6.4	830	152	28	28	26	17	53
Villages away from the growth centre	57,863	13.5	3.8	0.8	2.0	2.0	4.7	556	75	21	4	11	13	26
All villages	93,539	15.4	3.6	1.7	2.4	2.2	5.4	636	98	23	11	15	14	34

working force in the trade and commercial activities is concerned (—18.10%). But the number of workers engaged in transport and communication activities has gone up by about 3½ times more in the rural region. There is a great reduction in the number of workers in the services sector in both the areas.

From the same table one might further observe that growth of population is high (33.07%) in the case of the villages electrified by 1971 whereas the educated ratio is high (40.91%) in the case of the villages electrified by 1961. There is a

TABLE V

Non-Farm Activities by Group

Name of the group	Electrified villages							Non-electrified villages						
	Total workers	Of which % engaged in						Total workers	Of which % engaged in					
		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services		Selected non-farm activities	Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
All villages	45084	20.9	4.6	2.9	3.5	3.0	6.9	48455	10.2	2.6	0.7	1.5	1.5	3.9
Big villages	13381	28.2	4.1	6.1	5.5	3.4	9.1	2241	8.4	0.1	0.1	6.5	0.2	1.5
Small villages	31703	17.8	4.9	1.4	2.6	2.8	6.0	462104	1.0	0.3	*	0.1	0.2	0.4
Villages nearer the growth centre:	27196	21.2	3.8	4.2	3.9	1.9	7.4	8480	9.2	1.9	0.5	0.9	2.6	3.3
(a) Big villages	10667	32.1	4.4	7.3	6.6	3.9	10.9	All villages in this group are electrified						
(b) Small villages	16529	14.1	3.4	2.2	2.1	0.6	6.4	8480	9.2	1.9	0.5	0.9	2.6	3.3
Villages away from the growth centre:	17888	20.4	6.0	0.8	2.8	4.6	6.1	39975	10.4	2.8	0.8	1.6	1.3	4.1
(a) Big villages	1714	14.5	4.6	2.4	1.7	2.5	3.3	2241	8.4	0.1	0.1	6.5	0.2	1.5
(b) Small villages	15174	21.8	6.6	0.6	3.2	5.2	6.9	37734	10.6	3.0	0.8	1.3	1.3	4.2

*Insignificant.

TABLE VI

Percentage Change Over the Decade (1961=100)—by Group

Category	Population	Educated	Workers	Non-workers	Farm workers	Non-farm workers	Workers engaged in				
							Household industry	Non-household industry	Trade and commerce	Transport & communications	Other services
Taluk total	13.95	37.73	−14.49	45.91	−13.26	−18.00	−53.41	25.63	13.08	108.82	−40.15
Urban area	23.43	43.87	0.75	36.45	−12.79	6.10	−51.31	39.82	37.61	94.29	−30.83
Rural area	11.70	33.60	−16.80	49.17	−13.30	−31.70	−53.70	12.30	−18.10	359.90	−45.30
Electrified villages by 1961	15.26	40.91	−16.83	48.04	−11.86	−25.34	−46.74	47.02	9.73	243.69	−48.31
Electrified villages by 1971	33.07	28.71	−15.88	123.11	−18.50	− 4.35	−57.24	25.44	13.09	311.61	−54.11
Non-electrified villages	1.15	29.08	−16.38	22.76	−12.05	−41.63	−55.96	−16.14	−46.79	717.05	−44.15

uniform reduction in the working force in all categories. And against this there is a general increase in the non-working force and it is the highest (123.11%) in the villages electrified by 1971. The reduction in the non-farm workers is the highest in the non-electrified group (41.63%). There are severe reductions in all sectors in the non-electrified group in respect of workers engaged in the selected non-farm activities (transport and communications sector is the only exception). The number of workers in the non-household industry has almost doubled in the villages electrified by 1961 and increased by one-fourth in the villages electrified by 1971 as against a reduction of 16.14 per cent in the non-electrified group.

Growth Rates Over a Decade by Size: From Table VII it is derived that the increase in population is the highest (57.28%) in the small villages which were electrified by 1961. Rate of increase in literacy is the highest (43.71%) in the big villages that were electrified by 1971. There is a reduction in the working force in all the categories, but this reduction is the smallest (3.53%) in the big villages that were electrified by 1961 and the highest 23.56 per cent in the big villages that were electrified by 1971. Increase in non-working force is lower in the non-electrified group in general and the lowest (19.36%) in the small and non-electrified villages in particular.

RURAL ELECTRIFICATION
UNEMPLOYMENT

Similarly, reductions in the farm workers are lower in the non-electrified group in general and the lowest (5.92%) in the small and non-electrified villages in particular. In respect of non-farm workers there are small reductions, if at all, in the electrified villages as compared with the large reductions in the non-electrified villages. There is a reduction of working force in the household industrial sector in all groups. As far as non-household industry is concerned, one finds that the non-electrified villages, particularly large sized ones have greater reductions (about 57%). Against this, the big villages electrified by 1961 have the highest increase (58.53%). Similarly, in respect of employment in trade and commercial sector, the non-electrified villages in general and the big villages in this group in particular have higher reductions. There is a multi-fold increase in respect of employment in transport and communications sector, in all groups and the increase is the highest (more than seven times) in the small but non-electrified villages.

Growth Rates Over a Decade—by Distance to the Growth Centre : From Table VIII, it is found that the growth rates of population, literacy, and working force are the highest in the villages away from the growth centre, that are electrified by 1971. Increase in the non-working force is the highest (65%) in the villages away from the growth centre that were electrified by 1961. Reduction in the farm workers is very high (41.41%) in the non-electrified villages that are nearer to the growth centre compared to only 0.88

TABLE VII

Percentage Change over the Decade by Size

Category	Population	Educated	Workers	Non-workers	Farm workers	Non-farm workers	Workers engaged in				
							Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
Big Villages											
Electrified by 1961	−18.65	41.16	−3.53	−31.59	14.80	−28.73	−57.26	58.53	−2.64	224.22	−51.65
Electrified by 1971	12.17	43.71	−23.56	54.29	−23.55	23.79	−53.97	18.08	−2.31	205.88	−27.38
Non-electrified	9.13	32.97	−20.53	49.26	−8.56	−67.30	−84.62	−57.14	−70.45	400.00	−37.73
Small Villages											
Electrified by 1961	57.28	40.49	−21.67	163.85	−22.16	−19.05	−35.28	3.40	−29.80	275.64	−41.53
Electrified by 1971	28.89	9.00	−19.58	132.64	−22.02	3.01	−61.20	25.62	6.85	321.49	−65.44
Non-electrified	−0.06	29.22	−16.17	19.36	− 5.92	−77.45	−60.06	−19.05	−34.39	705.56	−45.36

per cent reduction in the electrified villages away from the growth centre. When every group experienced a reduction in the non-farm working force, the villages away from the growth centre that were electrified by 1971 have enjoyed about 87 per cent increase. Household industry suffered in all groups but suffered severely in the non-electrified groups in general and the non-electrified villages nearer the growth centre in particular (74.92%)

Non-household industry received more attention in the villages away from the growth centre that were electrified by 1971 and the villages nearer the growth centre that were electrified by 1961. Trade and commercial activities increased in the electrified villages in general and the villages away from the growth centre that were electrified by 1971, in particular. There were severe reductions in the non-electrified groups in general and the non-electrified villages nearer the growth centre in particular in respect of the employment in trade and commercial sectors. There is a multi-fold increase in the transport and communications sector, and this is about nine times in the non-electrified villages that are nearer the growth centre.

Findings : Population and literacy have grown at higher rates in the urban society as compared to the rural society. Similarly, the urban region has higher growth rates in non-household industry and trade and commercial sectors. And excluding the transport and communications sector, the non-electrified villages have negative growth rates in the selected non-farm activities. The influence of size is observed only in the presence of electricity. It is the highest in the case of the big villages electrified by 1961. The non-electrified villages irrespective of size have negative growth rates in all non-farm activities excluding the transport and communications sector. Similarly, the influence of the growth centre is observed only in the presence of electricity. The non-electrified villages though nearer the growth centre, have negative growth rates in industrial activities both at the household and the factory levels. It can thus be concluded that :

(1) The findings of the previous study are proved to hold good even in the light of the 1971 data;

(2) Non-working force has outgrown the population; and

(3) Employment rate has fallen, in general, and at a higher rate in the non-farm activities in particular.

In this context reduction in the employment in the household industry is the highest followed by the services sector. And employment has increased at a tremendous rate in the transport and communications sector, specifically in the non-electrified villages. Employment in the non-household manufacturing activities has been increased in the electrified villages only.

It is suggested that, since literacy is increasing from one side and unemployment is soaring from the other in the rural regions, there is an urgent need for intensive rural industrialisation in order to rehabilitate the rural unemployed and literate people. A majority of them is now exposed to reading and writing techniques, they can be easily trained as semi-skilled technicians within a short period. If alternative living arrangements are not undertaken at the rural base itself, we have to face the danger of greater migration into urban centres which may lead to many socio-economic problems including slum-formations along with all its attendant evils.

TABLE VIII

Percentage Change over the Decade (1961=100) by Distance to the Growth Centre

Category	Population	Educated	Workers	Non-workers	Farm workers	Non-farm workers	Workers engaged in: Household industry	Non-household industry	Trade and commerce	Transport and communications	Other services
Villages Nearer the Growth Centre											
Electrified by 1961	13.98	38.99	−11.19	38.57	−4.15	−24.76	−58.82	42.11	1.37	222.86	−47.78
Electrified by 1971	−6.65	−5.29	−31.79	24.00	+28.90	−45.18	−71.24	15.75	7.17	77.91	−66.05
Non-electrified	−30.12	−24.77	−42.46	−10.29	−41.41	−50.95	−75.92	−16.98	−49.02	909.09	−65.06
Villages Away from the Growth Centre											
Electrified by 1961	19.27	48.76	−16.68	65.00	−12.42	−27.51	−16.02	−47.01	27.57	287.88	−50.06
Electrified by 1971	98.09	71.28	1.81	60.63	−7.97	87.39	−43.28	53.31	34.06	602.90	−36.78
Non-electrified	9.72	48.86	−7.01	28.34	−0.88	−39.39	−50.64	−20.05	−47.44	636.23	−39.41

WINDOW ON THE WORLD

Poland's ambitious plan

Jossleyn Hennessy, London

I

RAPID 1971–75 GROWTH

THE ECONOMIC growth achieved in Poland in 1971-75 far exceeded the original plan estimates:

The population's standard of living increased considerably. Average net monthly wages and salaries, for instance, rose from 2,235 zloty (Zl) in 1970 to Zl 3,500. At the same time the legal minimum wage was raised from Zl 850 to Zl 1,200. Since the cost of living, according to Polish statistics, increased at an annual rate of only 2.5 per cent during the past five years, real wages rose by seven per cent a year, the biggett increase in Polish economic history since 1945. Private farmers' real income rose at almost the same rate—for the first time in Poland.

The increase in average real wages, however, was larger than the annual productivity increase in the economy as a whole (estimated at 6.5 per cent). This means an abandonment of the rule of distribution so far followed in Poland (and all other socialist countries) that the rise in wages must be kept below that in productivity to make room for social expenditure.

The rise in the standard of living was not achieved at the expense of the country's economic future. Real gross fixed capital formation, at an annual 14 per cent, rose faster than private consumption (9 per cent). Net fixed capital formation expanded even faster (22 per cent). The investment ratio rose steeply, from 22 per cent to 30 per cent (1974), causing capital stock in Poland's business sector to increase by more than a third. In industry, the increase in capacity was as much as 60 per cent. In other words, every third piece of machinery now in operation in industry is no older than five years.

Thanks to the accelerated expansion of investment, 1.9 million new jobs outside the private farm sector were created between 1971 and 1975. Three million young people entered the labour market. With a labour force of 17 million, Poland at present has an employment ratio of 50 per cent. In contrast to the preceding medium-term planning periods, it has achieved full employment.

sharp deterioration

One of the less attractive aspects of this dynamic development is the sharp deterioration in 1971-75 in the structural imbalance in the Polish economy—above all a consequence of the one-sided development of heavy industry in the first industrialisation phase after 1945.

Bottlenecks in the transport sector and in the raw material and energy fields have caused disruptions in the production process.

The consumer goods industry, neglected by economic policy makers for years, was unable to raise its output sufficiently, either quantitatively or qualitatively, to keep pace with private demand.

As a result, a number of markets ran into supply difficulties in 1974 and 1975, despite higher imports. The food supply was made worse by a weather-induced drop in agricultural production in 1974-75 (the grain harvest, for instance, at 20 m tons was nearly 3 m tons below 1973-74. Animal production has been dropping ever since, causing bottlenecks in the supply of meat which had previously been rising rapidly. Per-head consumption of meat and meat products rose from 53 kg in 1970 to 70.3 kg in 1975.

Since cutbacks in meat supplies continue to provoke a particularly strong reaction in Poland, the government is trying to push up livestock numbers by importing more grain and feed: food exports too are being cut back. This has meant that over the past five years Poland has become a net importer of agricultural products and foodstuffs, which totally contradicts conventional ideas about this country.

These supply problems made it politically advisable for the party leaders to maintain the price stop on basic foods imposed in early 1971. Food prices in the free markets did increase by about a third during 1971-75, but the share of free market purchases in the Polish population's total food consumption is relatively small, so this price increase has had only a minor impact on the cost of living.

money incomes

Accoding to official information the population's nominal money incomes expanded by 15 per cent a year in 1971-75, faster than the appropriated national product. Monetary purchsing power was, however, unmatched by an adequate supply of goods, and this naturally caused inflation. Private savings since 1970 have been growing at an annual rate of 34 per cent, and part of this increase almost certainly represents forced saving. Private cash holdings have increased particularly fast, from Zl 3000 million (1970) to Zl 18,500 million (1974); their share in the Polish population's total financial assets increased from 3 to 27 per cent.

II

TRADE WITH THE WEST

Among the most striking characteristics of the Gierek administration's "New Economic Policy" is the social role—at variance with the "Stalinist Model of Industrialisation"—accorded to foreign trade within the growth programme.

Through closer integration of the economy in the international division of labour, supported by a declared intention to take up credit to this end even in western countries, it is hoped that progress towards the ambitious economic targets will be accelerated.

This policy has been consistently pursued since 1970. The volume of exports and imports grew faster than the national product. The (estimated) export ratio for the economy as a whole (exports as a proportion of produced national income) rose from 22 per cent (1969) to 24 per cent (1974). The import ratio (imports as a proportion of appropriated national product) rose even faster, from about 25 to 31 per cent.

The import surplus was run up almost entirely in trade with western industrial countries, imports from which increased by a nominal 41 per cent a year in 1971-75 (21.5 per cent). The fastest rise was in imports from the United States (53 per cent), France (42 per cent) and West Germany (41 per cent), which in 1971-75 became Poland's second biggest foreign trade partner; still well behind the USSR but ahead of East Germany.

The ratio of exports to imports, which in trade with the CMEA countries tends to fluctuate around the 100-mark, over the past four years has shrunk markedly in trade with the western industrial countries; this is true particularly of trade with Japan, the United States, Britain and—1975 apart—also West Germany.

Within the framework of the state trade and foreign currency monopoly, Poland's trade and payment transactions with the western countries are planned and cleared bilaterally, even though they are carried out on the basis of western convertible currencies. The four countries mentioned seem to have displayed the greatest willingness on the part of governments and/or private banks and exporters to grant credits to Poland during the past five years.

Since Poland does not publish its balance of payments figures, there is no knowing to what size the sum required for debt servicing has risen by now, i.e., how much of a burden on the balance of payments earlier loans represent. Remarks by leading Polish economic policy-makers suggest that this burden is already alarming.

III

THE 1976-80 PLAN

During the present five-year plan domestic output is supposed to grow by at least seven per cent a year. Industry should expand above average (8.2 per cent) and its contribution to the national product rise to 62 per cent (1975 : 58 per cent). Production for export has been given absolute priority (annual increase : 14 per cent). Its share of gross industrial production should rise to at least 18 per cent by 1980 (1975 : 14.4 per cent, 1976 plan : 14.6 per cent).

The rise in employment assumed in the new plan is Poland's smallest since 1945. The rise in production will therefore more than ever depend on productivity increases. So the Polish party leaders are issuing a strong appeal to the workers pointing out that the rise in real wages envisaged (3.4 per cent a year) can be achieved only if the planned rise in productivity (6 per cent) is implemented (a fair day's wage for a fair day's work).

At the same time there is a return to the earlier policy of distribution: employees are no longer to get the full benefit of their increased productivity. Not only is some of the money needed for welfare spending and other social expenditure, but the planned export surplus in 1976-80, will have to be financed too. The rise in net money incomes is to be limited so that monetary demand increases more slowly than the sup-

Price Index for Goods Sold Retail* and for Services

(1970=100)

	1971	1972	1973	1974	1975†
Price Index, Total	100.4	100.4	101.1	107.1	108.4
Goods	100.4	100.3	100.6	100.6	107.8
Of which : Foodstuffs	102.5	102.4	102.7	109.1	109.1
Of which : State and Cooperative Retail Trade	101.5	100.7	100.6	102.2	102.8
Restaurants	101.6	99.6	99.8	117.2	119.2
Free Markets for Foodstuffs	107.6	111.9	114.3	135.1	132.8
Alcoholic Drinks	100.0	100.0	100.0	124.6	127.3
Other Goods	97.2	96.9	97.1	98.6	100.6
Services	100.5	101.2	103.4	109.5	111.5

*Including restaurants and free markets. †January-September.

Source: *Biuletyn Statystyczny, No. 11/75* ly of goods and services in the eco-omy as a whole.

Fixed capital formation should rise nly half as fast as in 1971-75, the nvestment ratio is not to go up any urther. Private consumption, as far s it is possible to tell from the pub-ished data, should grow at the same ate as investment.

The government's price policy is to be "flexibly" adapted to economic needs. Whether the price stop on basic foods will be retained is to be decided during the year; the plan for 1976 implies an overall inflation rate of two per cent. It remains the main aim of the government's price policy during 1976-80 to safeguard the planned increase in real incomes.

The government's foreign trade policy will have undisputed priority during 1976-80. Its aim is surplus trade balance to be used for financing the repayments due between 1976 and 1980 on loans by both socialist and western countries. Poland will also by providing credits have to participate in developing the CMEA countries' common raw materials base.

doubling exports

This plan target must be achieved mainly through a fast rise in exports, with a big improvement in profits from exports. The new five-year Plan provides for an annual rise in export volume of 15.5 per cent. This means Poland's export ratio should rise to 26 per cent, by 1980 (1974 : 24 per cent). Polish exports to the other CMEA countries are to increase by 11 per cent a year, as laid down in the bilateral government protocols on the coordination of the 1976-80 plans signed with all CMEA partners last year. To implement the whole of the export plan, there would have to be an above-average increase in the volume of deliveries to all non-CMEA countries (about 20 per cent a year); particularly to the western industrial countries.

But such an export programme is hardly realistic, particularly since the planned exports to the west are to be mainly of manufacturers, making great demands on the Polish export industy's competitiveness.

Exports of finished products as a whole are expected to rise by at least 18 per cent a year. A second important caregory of export goods comprises agricultural products and foodstuffs (plus agricultural machinery, food manufacturing machinery and fertilisers); in this field the rate of increase is also hoped to be 18 per cent a year, with exports to CMEA countries rising faster than average. Finally, fuels, raw and basic materials (coal, copper, sulphur, salts, timber, electric power, mining machinery, chemical products) have been put into a third planning category for which growth chances to 1980 are estimated at about 13 per cent a year; once again sales to the CMEA countries are scheduled to grow faster than those in western markets.

So far no plan figures for imports have been published. A model calculation based on the planned growth in exports, suggests that total imports must not grow by more than 11 per cent annually if the trade balance is to attain a surplus by 1980. This result fits in with the planned increase in imports from the CMEA countries (11 per cent a year). If trade with the western industrial countries—assuming an average annual increase in exports to them of 20 per cent is at least to balance, the possible growth in imports from the west is about nine per cent.

The Polish economy, unlike that of East Germany, Czechoslovakia and Hungary, seems likely to continue to be spared additional balance of payments problems caused by a deterioration in its terms of trade.

The economic policy programme for 1976-80, approved by the VII Party Congress of Poland's Communist Party, is "open to new development needs and opportunities", in the words of the first party secretary. The new five-year plan — like its predecessor— provides a structural policy orientation for short-term planning intended to respond as flexibly as possible to unexpected developments. A good example is the 1976 economic plan which, approved by parliament two weeks after the party congress, exceeds the medium-term plan targets in its estimates for production and private consumption but falls below them in its figures for labour and capital as well as for exports.

Sources and acknowledgements : The foregoing is summarised from the latest *Economic Bulletin* of the Deutsches Institute Fur Wirtschaftsforschung (5 Koenigin Luise Str. Berlin 33) but the DIW is not responsible for the wording of my summary.

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IMF and international banking community

H. Johannes Witteveen

This is the text of the address by H. Johannes Witteveen, Managing Director of the International Monetary Fund, before the *Financial Times* of London, "New York—World Financial Centre" Conference, New York City, on April 29, 1976.

I AM pleased to have this opportunity of speaking to you today since the IMF and the banking community share a deep involvement in the field of international finance. The demand for balance of payments financing has been unprecedented in the recent past, and the IMF and commercial banks have both been called upon to respond to this demand.

basic reform

The international payments system had, of course, been subjected to serious disturbances well before the recent difficult period and, for this reason, official discussions of a basic reform of the monetary system had been under way for some years. The first phase of reform, which it is recognized will have to be sought through an evolutionary process, has recently been set in train with the submission by the executive directors to the Board of Governors of a report and recommendations on a very substantial amendment of the Fund's Articles of Agreement. The new articles will give members both new rights and new obligations. These matters have been widely discussed in the press and elsewhere, and I need hardly expand on them, particularly to this audience. I would only stress that under the amended articles, the Fund has an increased role of consultation with members on all aspects of international adjustment policies and of surveillance of agreed codes of conduct.

I wish to concentrate today on some aspects of the role played by commercial banks and the Fund in the financing of national balance of payments positions. Temporary balance of payments financing has always been an important means by which the Fund can achieve the general purposes entrusted to it, among them the maintenance of freedom of payments and the expansion and balanced growth of international trade. By contrast, for private commercial banks, balance of payments financing in some respects lies outside the mainstream of traditional banking operations. Leading commercial bankers have themselves, therefore, raised questions about the trend towards an increased role for private banks in the area of balance of payments financing and called for a return to more traditional forms of international banking, i.e., trade and project financing, which assure the generation of foreign exchange from which the loan may be repaid.

trend reversed

The need for balance of payments financing has, however, increased dramatically in the past two years. The overall current account position of industrial countries reversed itself from a surplus of $11 billion in 1973 to a deficit of the same magnitude in 1974. That of the more developed primary producing countries switched over the same period from a surplus of $1 billion to a deficit of $14 billion. The less developed non-oil countries increased their deficit from $9 billion in 1973 to $28 billion in 1974. On the other hand, the surplus of the major oil exporting countries increased from $5.5 billion to $68 billion.

For 1975, our estimates show a reduction in the current account surplus of the major oil exporters to $35 billion, a reversal of the position of the industrial countries to a surplus of about $15 billion, and a further increase in the large deficits for the more developed and the less developed non-oil primary producing countries to $15 billion and $35 billion, respectively.

increased deficits

That deficits of these magnitudes were generally financed without a serious decline in national reserves may be considered a sign that the international financial system has been able to rise to a task that at one time had seemed to some to be beyond its capacity. Foreign reserves of the oil importing countries indeed rose marginally from SDR 140 billion in 1973 to SDR 145 billion in 1975. Reserves of the industrial countries rose by SDR 8 billion, while those of the non-oil primary producing countries fell by SDR 3 billion. Reserves of the oil exporting countries rose from SDR 12 billion in 1973 to SDR 50 billion in 1975. The total increase of SDR 43 billion reflected an increase in reserve positions in the Fund of some SDR 7 billion, which, resulted from the Fund's transactions, and an increase of SDR 36 billion in foreign exchange holdings, mainly the US dollar component. There was no increase either in holdings of gold (officially valued) or in those of SDRs.

The financing provided by private commercial banks toward meeting balance of payments deficits has been substantial. Precise data on the extent of such financing are not, however, available. Fund staff estimates, based on statistics made available in major financial centers, but the volume of total external bank claims against non-bank borrowers at about $250 billion outstanding at the end of 1975, as against $150 billlon at the end of 1973, and $60 billion at the end of 1970. United States banks and their branches abroad account for about 40 per cent of this total, with $97 billion at end 1975, as against $57 billion in 1973, which represented 37 per cent.

Traditional banking operations no doubt account for the largest share of these external claims, but an increasing share is represented by bank lending to governments and public financial institutions. Unfortunately, no breakdown by purpose of credits or by type of borrower is available for these global estimates of international bank lending. We must look to publicised Euro-credits for an indication of this trend. Conclusions drawn on the basis of these data must be qualified because of their incomplete coverage and the relatively small share of syndicated medium-term credits in total international bank credits. Nevertheless, it is striking that in 1974 and 1975, loans to governments and public financial institutions accounted for about 50 per cent of total publicised Euro-credits. If public utilities were included, the share of what, in effect, must be considered public sector financing would, of course, be substantially larger.

It should be noted that the sharp growth in the international operations of commercial banks was well under way long before the "oil crisis." This development involved important implications for monetary authorities in many countries. The dramatic increase in international reserves, and the role of national currencies as reserve assets against which monetary authorities would issue "high-powered money" that could serve a basis for a multiple expansion of bank credit set the stage for a development that in a way was self-propelling. That this development has, at times, greatly

—*Over to page 1078*

Distribution of the World's Monetary Reserves 1970–1975

Country	End of 1970		End of 1974		End of 1975	
	Mill. $	% of total	Mill. $	% of total	Mill. $	% of total
INDUSTRIALIZED COUNTRIES	74,339	79.8	141,001	63.9	139,718	62.0
West Germany	13,610	14.6	32,398	14.7	31,018	13.8
USA	14,487	15.5	16,058	7.3	15,883	7.0
Japan	4,840	5.2	13,519	6.1	12,815	5.7
France	4,960	5.3	8,852	4.0	12,593	5.6
Switzerland	5,132	5.5	9,011	4.1	10,428	4.6
Great Britain	2,827	3.0	6,939	3.1	5,459	2.4
Canada	4,679	5.0	5,825	2.6	5,326	2.4
South Africa	1,012	1.1	1,159	0.5	1,216	0.5
OPEC COUNTRIES	5,226	5.6	48,007	21.8	56,144	25.0
Saudi Arabia	662	0.7	14,285	6.5	21,229	9.5
Venezuela	1,021	1.1	6,513	3.0	8,861	3.9
Iran	208	0.2	8,384	3.8	8,697	3.8
Nigeria	222	0.2	5,626	2.5	5,799	2.6
Iran	462	0.5	3,273	1.5	2,746	1.2
Libya	1,590	1.7	3,616	1.6	2,195	1.0
Kuwait	203	0.2	1,399	0.6	1,655	0.7
Algeria	339	0.5	1,689	0.8	1,353	0.6
Trinidad and Tobago	43	0.1	390	0.2	751	0.3
Indonesia	160	0.2	1,492	0.7	586	0.3
Ecuador	83	0.1	350	0.2	286	0.1
Gabon	15	0.0	103	0.0	147	0.1
Qatar	18	0.0	72	0.0	99	0.0
DEVELOPING NATIONS WITHOUT OIL	13,645	14.6	31,644	14.3	29,512	13.0
WORLD MONETARY RESERVES (WITHOUT EAST BLOC)	93,210	100.00	220,652	100.00	225,374	100.0

Announcement regarding issue of Rs. 12.50 crores 6¼% debentures (1
applied for issue and allotment of further debentures of Rs. 1.25 crores and gu

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THE INDUSTRIAL CREDIT AND INVE

(Incorporated on January 5, 1

Registered Office : 163
Regional Offices : 20, Old Court House Street, Calcutta 700 001. • 1, Cenotaph R

EXISTING AND PROPOSED ACTIVITIES :

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India, more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance and to meet the other needs of the Company.

BOARD OF DIRECTORS :

H T Parekh (Chairman)
J S Raj (Vice Chairman)
K. K. Birla
D P. Goenka
N A Palkhivala
L J. Mulkern
N. M. Wagle
Bhaskar Mitter
M. V Sohonie
R V. Ramar
M G. Balasubramanian (Government Director)
M Sen Sarma
M D McWilliam
M. V. Arunachalan
S. S. Mehta (Managing Director)
Phiroze B Medhora (Joint Managing Director)
J. M. Ahrens (Alternate Director for L. J. Mulkern)

SHARE CAPITAL :

(as on March 31 1976)

	Rs.	Rs.
Authorised		
15,00,000 Equity Shares of Rs. 100 each		15,00,00,0
10,00,000 Unclassified Shares of Rs. 100 each		10,00,00,0
25,00,000		25,00,00,0
Issued and Subscribed		
15,00,000 Equity Shares of Rs. 100 each issued for payment in cash	15,00,00,000	
Paid-up:		
15,00,000 Equity Shares of Rs. 100 each	15,00,00,000	
Less: Calls in arrears	8,300	
		14,99,91,70

PRESENT ISSUE .

12,50,00,00

25,000 Debentures (1991) of Rs. 5,000 each at 97.50% (i.e. Rs. 4,875 each) with a right to retain excess subscription money up to 10% of the Issue to be applied for issue and allotment of further 2,500 debentures.

Interest at the rate of 6¼ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on May 15 and November 15, except that interest will accrue on the Debentures allotted from the date of receipt of the application, and accordingly the initial proportionate payment of interest will be made on November 15, 1976.

ith a right to retain excess subscription up to 10% of the Issue to be
rds repayment of principal and payment of interest by the Government of India.

us from the Registered Office or the Registered Offices of the Company.

i

IT CORPORATION OF INDIA LIMITED

ian Companies Act, VII of 1913)

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0 018. • Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi-110 001.

OVERNMENT GUARANTEE :

e Debentures, now being issued, are guaranteed by the Government of India as to the repayment of the principal and the yment of the interest thereon at $6\frac{1}{4}\%$. The Debentures will not, however, entail any charge on the assets or the ndertaking of the Company

e Debentures will be considered as approved security under the provisions of the Indian Trusts Act, 1882, the surance Act, 1938 and the Banking Regulation Act, 1949

e Debentures shall be redeemed at par on May 15, 1991.

e Company shall have the right to purchase Debentures from the open market and the same can be reissued during e unexpired period of the Debentures.

he principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment, om and out of the funds of the Company:

) after all the foreign currency loans with interest thereon, both present and future, except the 8% Bonds (1977-88) for Swiss Francs 8,000,000;

) *pari passu* with all the rupee term loans, both present and future, and the Debenture issues previously made with interest thereon and the Debentures to be issued hereafter with interest thereon (except the interest-free special advance of Rs. 450 lacs from the Government of India, which ranks after the share capital of the Company) as also the said Bond Issue of Swiss Francs 8,000,000 referred to above.

uch payment will be without affecting the rights of the holders of the 8% Bonds (1977-88) for Swiss Francs 8 million, he holders of Rs. 13.75 crores $6\frac{1}{4}\%$(1990) Debentures and the holders of the present issue of Debentures to take recourse o the Guarantee of the Government of India issued in their favour.

t any meeting of the debenture holders, each voter shall on a show of hands be entitled to one vote only and at a poll he hall be entitled to one vote in respect of every principal sum of Rs. 5,000 of the Debenture in respect of which he is ntitled to vote.

n the event of over-subscription, shareholders of the Company who apply for Debentures will be given preferential allotment o the extent of as many Debentures as they would be entitled to take up if the entire Debenture issue had been offered to such hareholders on *pro-rata* basis as a rights issue. The Company has obtained the consent of the Reserve Bank of India under he Foreign Exchange Regulation Act 1973, for the offer and allotment of Debentures to its non-resident shareholders.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

The Subscription List will open at the commencement of banking hours on Thursday, May 20, 1976 and will close at the close of banking hours on Tuesday, May 25, 1976 or earlier at the discretion of the Directors but not earlier than the close of banking hours on Saturday, May 22, 1976.

PROSPECTUS AND APPLICATION FORMS :

Application must be for one or more Debentures and should be forwarded to the Registered Office of the Company together with the payment at the rate of 97.50% of the nominal value of the Debenture i.e. Rs. 4,875 per Debenture. However, for the sake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at its main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Delhi, Hyderabad, Indore, Madras and New Delhi.

Applications Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional Offices of the Company.

ADROIT-525

complicated national and international efforts to control inflation should not need any elaboration.

An important aspect of this process has been the development, since the late 1950s, of foreign currency banking. International bank lending channeled through Euro-markets today accounts for more than 70 per cent of all traceable international bank lending. Moreover, the markets have become significant depositories for, and sources of, official foreign exchange reserves. For instance, in the period 1970-74, increases in Euro-dollar holdings by monetary authorities accounted for SDR 33 billion, which is one-third of the total increase in foreign exchange reserves.

The trend toward balance of payments financing by private banks raises several important questions. It is seen with some concern even by some of those banks which by virtue of the size and distribution of their capital and deposit base, and of their longstanding experience in the international sphere are best equipped for such operations. Their concern has partly centred on risks inherent in an apparently increased imbalance in maturity structure as between assets and liabilities. Particularly during a time when the main supply of additional funds placed in the market came from a small number of depositors with a high degree of liquidity preference, the competitive lengthening of variable-rate-loan maturities that had been observed for some time raised serious questions.

fall in Euro-credits

By 1974 over two thirds of all publicised Euro-credits fell in the maturity range of 7-10 years, and 10 per cent in the range of over ten years. More recently, this picture has changed sharply—in 1975 over two thirds of Euro-credits had maturities of between one and six years, and only one per cent more than ten years. At the same time, there has been a perceptible lengthening of maturities in banks' liabilities.

This development has lessened some of the earlier concern over the stability of the financial markets, which was widespread in 1974 for other reasons as well. Widely publicised shortcomings in some banks' control over foreign exchange operations had reflected, somewhat irrationally, on banking practices in general, and on Eurocurrency banking in particular, but tightened management controls and procedures have now allayed misgivings in this area. Other worries arose from the fact that not every bank that commands a strong position in its national or regional sphere can call on the resources in capital and deposits, as well as the specialised management skills, that are required for operations on an international scale.

good performance

Some retrenchment has now taken place and those banks that remain active in the international market can, generally, point to an exceptionally strong earnings performance on their international portfolios and to loan recovery records that are significantly better than those for domestic portfolios. I think that today we can look back at the uneasy period of 1974 and early 1975 with a certain relief that the industry proved able, with the assistance of a number of steps taken by national authorities, to adjust to the strains. Growth of international banking activity has resumed in 1975. In the variable rate market, growth has been at a distinctly slower pace than in the early seventies, but there has been a record volume of new issues in international bond markets.

The question remains, however, whether the participation by the banking system in balance of payments financing has been excessive either in general or in specific instances. This concern is especially relevant because, in contrast to the traditional banking activities of trade and project financing, balance of payments loans inevitably involve judgments that go beyond strictly commercial considerations into the field of national financial and economic policies.

enlargement of role

Competitive enlargement of this role of private banks might well foster a climate of all-too-easy borrowing by deficit countries, thus facilitating inflationary financing and delaying the adoption of needed adjustment policies. From a world economic point of view, however, the abrupt increases in oil prices and consequent very large deficits of oil consuming countries in the last two years, brought an urgent general need for the temporary financing of these deficits. In this exceptional situation the banking system has certainly performed a very useful function overall, although lending may have been excessive in a few specific cases.

The banks themsevles have, of course, a very direct concern in the increasing debt burden of a number of deficit countries and in their related ability to repay these loans. Certainly it is true that many of the non-oil developing countries have recently come to rely especially heavily on private bank financing. Indeed, by far the largest share of publicised Euro-credit in 1975 went to countries in this large and diverse group. According to our staff estimates, net extension of credit from private banks to these countries appoached SDR 12 billion, a sum considerably in excess of total borrowing by those countries from all sources in any prior year. However, because of the large increase in the value of world trade—partly as a consequence of inflation—there has been no significant increase in the debt service burden for developing countries in general despite this heavy borrowing. For a group of the most important developing countries for which data are available the ratio of private and public debt service to export receipts even shows some decrease between 1972 and 1975.

There are important differences between individual countries, however. In particular, for countries that have relied heavily on shorter-term borrowing in the past and already have a high debt service, the question arises as to how much further the indebtedness can be pushed before the mounting debt burden becomes hazardous. When situations of extreme difficulty have arisen in the past, they have been dealt with on a case-by-case basis by concerted action of the creditors and the debtor. Should such situations arise in the future, I believe they could again be satisfactorily resolved with the patience and cooperation of all concerned, including the banks. If they did arise, the latter would have to accept some share of responsibility for, in retrospect, there is little doubt that credits were sometimes granted in a market climate that was not very conducive to the maintenance of adequate standards.

In general therefore, a very careful and balanced policy by the international banks is needed. Lending for balance of payments purposes should not go so far that it would postpone necessary adjustments. On the other hand care must also be taken to avoid action that would shift an unduly rapid burden of adjustment on to those less developed countries which have been particularly hard hit by oil price increases or by the recent recession in industrial countries.

crucial judgements

From all this it can be seen that balance of payments financing must call for crucial yet difficult judgements on the appropriateness of financial and foreign exchange policies. These matters are at the center of the Fund's concern, and hence of the continuing dialogue in which the Fund engages with its members.

I should, therefore, like to say a little more about the role the Fund has played in balance of payments financing and adjustment and will play in the future. In 1974 the Fund established a special facility to assist members with supplementary finance designed to meet the impact on their balance of payments of increases in the cost of petroleum and petroleum products. Up until the expiration of the facility last month, the Fund disbursed under it almost SDR 7 billion to 55 member countries.

In addition, members have continued to draw on the general resources of the Fund in support of financial programmes of balance of payments adjustment. Thus total drawings on the Fund in 1974 and 1975 averaged SDR 4.4 billion, compared to an average of somewhat less than SDR 1.2 billion in the preceding two years; in the first quarter of this year, there were further drawings of SDR 2.7 billion. As at the end of March 1976, total outstanding drawings by all Fund members rose to SDR 11.6 billion. The highest peak reached previously was SDR 5.7 billion in June 1968.

fall in surplus

As for the future, on present IMF projections of the current account positions of various groups of countries, the surplus of the major oil exporting countries is expected to fall in 1976 only slightly from its 1975 level. The industrialised countries will experience a decline from their 1975 surplus as they resume economic growth in the course of the year, while the deficit of the non-oil primary producing countries may decrease from the current estimate of $50 billion in 1975 to the still very high figure of $43 billion. Within this combined total, the deficit of the non-oil developing countries is projected at about $31 billion as against $35 billion in 1975.

Part of the balance of payments difficulty of the primary producing countries is attributable to cyclical weekness in their export markets. As recovery of the world economy proceeds and demand for their exports picks up, these difficulties should lessen. In the context of an attempt to assist those countries whose difficulties had arisen in large part from the world recession, the Fund at the end of last year, liberalised its special facility to compensate for temporary shortfalls in export earnings suffered by members due to circumstances largely beyond their control. In the short time since the revision of the facility, there have been 16 drawings on this facility for a total SDR 620 million, and further substantial drawings are expected during the year.

degree of adjustment

The financing of balance of payments deficits must generally be accompanied by the appropriate degree of adjustment in domestic economic policies. It is the task of the Fund through its regular formal consultations and through its conditions for stand-by arrangements and drawings to promote sound general financial policies and to help create a climate that is conducive to steady development and the productive use of available external resources. The Fund can provide significant financial assistance in support of such policies. Because drawings on the Fund by most members in the past two years were made mainly under the special Oil Facility, the access to the regular resources of the Fund still remains largely unimpaired. Moreover, in order to equip the Fund to respond adequately to the financing need of its members in current circumstances, the access of members to the credit tranches has been increased by 45 per cent until increases in quotas take effect after the amendment of the Articles.

For the non-oil developing countries, the aggregate use of the Fund's resources in 1976 may be projected at something of the order of $

billion. Taking into account the flows of aid and direct investment which could be of the order of $19 billion, there would still remain a large financing gap. However, the gap could be smaller than last year and does not seem unbridgeable in the light of the experience of the recent past, if we may assume that recent discussions of "problem loans" will not lead to an unwarranted turning away from creditworthy potential borrowers, and that any difficult situations will be addressed on the basis of case-by-case assessments.

In conclusion, I should like to express my conviction that the International Monetary Fund and the international banking community have both been playing essential roles in meeting the unprecedented challenge of financing the very large payments imbalances of the recent past. These roles are different yet complementary. The relationship beetween them has always been implicit in the concept of the Fund as a "second line of reserves" for its members.

The banks have been able to provide the huge amount of financing needed through their ability to transform liquid short-term deposits into medium-term loans that provide balance of payments financing. The Fund has supplemented this private financing in critical areas and helped to preserve the necessary climate for it by exercising its powers of surveillance and by its ability to make its resources available on policy conditions aimed at the restoration of balance of payments equilibrium in the medium term, without recourse to trade or payments restrictions. These functions of the Fund as a regulatory and financial organisations have enabled it to perform a unique service for both its members and for all institutions making credit available to them.

There are still serious problems, especially for many developing countries, but we have been able to overcome successfully some of the worst dangers. I trust that with continued cooperation, both between governments in the international institutions, and between the private and the public sectors, we will make further progress in solving these problems and meeting new challenges.

Japan : outlook for growth

Japan experienced phenomenal rate of growth during the last two decades, but due to increase in oil prices and rampant inflation serious doubts have arisen whether this economic pattern can continue.

In the last two decades, Japan has experienced a high rate of economic growth. However, with the emergence of environmental problems, the sharp increase in prices of overseas energy and raw materials, and the domestic inflation in 1972-73, widespread doubt and considerable debate have emerged on whether this economic pattern can continue. Questions are also being raised as to the appropriate growth rate for the medium term. The government's medium-term economic plans will not be completed until later this year but the generally accepted view in Japan seems to be that the real growth rate should be reduced from an average of 10 per cent a year to between six and seven per cent.

This article summarises the economic problems now envisaged in Japan for the medium term and attempts to explain why a slowdown in the rate of economic growth seems unavoidable. Since economic changes for the longer run are estimated by abstracting cyclical movements, some of the points raised may appear unrealistic in the context of the present cycle.

The manufacturing sector has long been the expansionary force in the Japanese economy. Between 1958 and 1973, the sector's real gross domestic product (GDP) rose at an average annual rate of about 13 per cent, compared with a 10 per cent average for the economy as a whole, and its share in total GDP rose from 23 per cent in 1957 to 35 per cent in 1973. This averge of 13 per cent in the growth of the manufacturing sector was achieved by average annual increases of nine per cent in labour productivity (GDP per worker) and of about four per cent in labour input.

Large investment brought about this rapid increase in labour productivity, but recent changes have occurred which may limit investment. The important limitations on investment are: (1) limited water supply for industrial use; (2) shortage of new industrial sites, partly because of opposition to industrialisation of residential areas; and (3) issues relating to pollution and environment. Establishment of new plants under these conditions, particularly when facilities are required for reducing or eliminating environmental problems, is inevitably subject to increased constraints. For some industries, the addition of new plant is no longer economically feasible, given the present level of technology.

During the period 1958-73, employment in Japan rose at about the same rate (1.4 per cent a year) as the labour force, except for cyclical changes, the unemployment rate at that time emained at about 1.3 per cent. The elatively faster growth of employment n the manufacturing sector resulted rom workers being absorbed from other ectors, particularly agriculture. In the ate 1950s and early 1960s, such bsorption was not particularly costly, since a high level of "disguised" or "hidden" unemployment existed in these other sectors. Since the late 1960s, however, hidden unemployment has declined appreciably, and the manufacturing industry has been faced with increasing pressures for higher wages, while its labour recruitment has decreased.

As a result of the shift of workers to other sectors, agriculture's share of employment (including forestry and fishing) declined from 45 per cent in 1957 to 15 per cent in 1973. Compared with other industrial countries, where the average share is less than 10 per cent, however, Japan still has a relatively large working force in agriculture, partly owing to its fishing industry. A further shift of workers from agriculture is still possible but might require that manufacturers offer higher wages than in the past. The relative decline in agricultural workers and the expected slowdown in the growth rate of the labour force, from 1.4 per cent to less than one per cent a year in the medium term, could act as a constraint on the future expansion of the manufacturing industry, unless this decline is offset by large increases in productivity.

stable supply

The rapid growth in Japanese manufacturing output has also depended on a stable and plentiful supply of raw materials and energy from abroad. Japan imports almost all of its industrial raw materials and is one of the largest importers of many primary commodities. Furthermore, Japanese imports of many commodities have come from only a few countries where Japan has been major buyer. In a buyer's market, Japan had cheap sources of raw materials and energy. However, recent developments in world markets make it questionable whether dependence on relatively few countries for raw materials and fuel is a good policy.

The inflationary pressures, if they prove to be of long duration, the emergency of physical limitations on investment, the possible decline in available workers in the medium term, and the unfavourable supply conditions for raw materials and fuels in overseas markets will be constraints on a continuing high rate of expansion in the manufacturing sector. These changes have price implications as well. A rapid expansion in output would now cause both faster cost increases and more rapid inflation than before for given demand-supply conditions in the market.

During the period 1958-69, prices of manufactures remained virtually unchanged in Japan because wage incrases kept close to productivity increases and prices of imported raw materials were stable, while output per unit of imported raw material input improved. Between 1970 and 1973, however, prices of manufactures rose at an average annual rate of about five per cent (with most of increase taking place in 1973), mainly reflecting the fact that wages were increasing faster than productivity and that import prices were rising at a more rapid rate. Thus the fast increase in prices of manufactures in the 1970s seems to have been related mainly to changes in the labour market and supply of raw materials from the overseas markets. Price performance in 1970-73 may be indicative of future price rises if the rapid expansion continues and if the basic changes in the labour market and in imports of raw materials are correctly assessed.

The movements in prices of manufactures—from stability in the 1960s to a fast rise in 1970-73—explain similar movements in Japan's wholesale

TABLE I

How Japan's Economy has Grown Since 1956 and Projections to 1980

(Average Annual Percentage Changes)

	Period*	Planned GNP	Actual GNP
Five-year plan for economic independence	1956-60	5.0	9.1
New long-team economic plan	1958-62	6.5	10.1
Income doubling plan	1961-70	7.2	10.9
Medium-term economic plan	1964-68	8.1	10.8
Economic and social development plan	1967-71	8.2	10.9
New economic and social development plan	1970-75	10.6	6.52**
Basic economic and social plan	1973-77	9.4	2.73†

Institution making projections	Projection period*	Real GNP	Government investment	Private equipment investment
Economic Council	1975-80	5.4-6.5	—	—
Council for Industrial Structure	1973-80	4.9	6.4	1.0
Japan Economic Research Center	1976-79	6.3	8.5	5.3
National Economic Institute	1975-80	8.1	7.6	8.2
Nomra Institute	1975-80	6.6	9.2	5.9
Nikko Research Center	1976-80	6.5	5.3	7.1

*Fiscal year. **Actual for 1970-74. †Actual for 1973 and 1974.

and export prices, both of which are largely based on prices of manufactures, In turn. the relative stability of export prices in the 1960s explains the strong competitiveness of Japanese exports of manufactures in that decade, a factor which eventually became important in the appreciation of the exchange rate in the early 1970s. But with the changes in the basic conditions supporting the stability of prices of manufactures, an excessively rapid expansion could jeopardise export competitiveness—and hence the balance of payments—unless the effects of such an expansion are offset by other development.

shift of workers

The shift of workers to the manufacturing sector in the past resulted from the higher productivity—and hence higher wages (or earlier wage increases)—in this sector over other sectors, since manufacturing wages rose in line with, or faster than, productivity increases. Although the labour productivity of other sectors also rose, due partly to the elimination of hidden unemployment, particularly in earlier years, and partly to inveetment in those sectors, the increase was not as large as that of the manufacturing sector. On the other hand wages in non-manufacturing sectors rose, although with considerable lags, along with the wages in the manufacturing sector. Given the differentials in the rates of increase in labour productivity, this implied a faster increase in agricultural and service prices than in prices of manufactures, or a faster increase in consumer prices (consisting largely of agricultural and service prices) relative to wholesale prices (mostly prices of manufactures),

To some extent, the faster increase in consumer prices relative to wholesale prices was thus a result ot the more rapid expansion in the manufacturing sector than in the other sectors or, more generally, the high rate of economic growth. With the tightening of labour conditions in the agricultural and service sectors (elimination of hidden unemployment or underutilised workers), the time lags between wage increases in the manufacturing sector and the non-manufacturing sector are likely to be shorter or wage differentials at a specific point in time are likely to be narrower.

The above analysis indicate the benefits of : (1) a slowdown in manufacturing investment and output or changes in the pattern of manufacturing growth to emphasise the saving of labour and raw material. and above all, to one less harmful to the environment; and (2) faster growth in investment and output in non-manufacturing sectors, particularly service sectors, including the government. The real location of investment within the manufacturing sector and from manufacturing to non-manufacturing sectors would generally lower the marginal ratio of output to investment and thus lower the growth rate for a given amount of investment.

A slower growth rate would help alleviate possible pressures on prices from the labour and raw material markets, but it would also be associated with a lower growth rate of labour productivity. It is widely considered in Japan that achievement of a relatively stable price performance would depend greatly on a reduction of real growth rate from the past average of 10 per cent.

The type of economic growth now envisaged in Japan also involves changes in allocation of domestic resources, as well as in international divisions of labour. Reformulation of government polices concerning mobilisation of resources, including a tax policy, and changes in the pattern of international trade are anticipated. Some additional measures to deal with the transition from a rapidly growing economy to a more stable one are also considered necessary.

Courtesy: *IMF Survey*

TABLE II

Japan's Imports of Selected Commodities

Commodity	Share of imports in total domestic supply (1973)	Japan's share in OECD imports		Imported from	Share of exporting country in Japan's imports (1973)	Share of Japan in exporting country's exports
		1965	1972			
Oil	99.7	16.5	19.6	Iraq	35.9	36.7[1]
				Saudi Arabia	19.3	16.0[1]
				Indonesia	15.1	66.2[1]
Coal	71.7	18.7	39.6	Australia	43.5	85.8[1]
				United States	28.9	31.0[1]
				Canada	18.2	92.0[1]
Iron ore	99.5	20.7	40.4	Australia	47.7	86.7
				India	14.2	86.6[2]
				Brazil	9.5	30.6[1]
Copper	90.2	67.3	74.6	Canada	39.7	74.7[2]
				Philippines	26.7	82.4[1]
				Papua-New Guinea	12.8	57.1
Bauxite	100.0	8.3	19.2	Australia	61.6	55.2[2]
				Indonesia	20.3	100.0[2]
				Malaysia	16.5	84.8

1. Based on 1972 data. 2. Based on 1971 data.

TRADE WINDS

Food Output at 116 m. Tonnes

THE AGRICULTURE minister, Mr Jagjivan Ram, announced on May 6 in the Lok Sabha that even very conservative estimates put food production this year at 116 million tonnes. Mr Jagjivan Ram said rice production had touched the record figure of 48 million tonnes this year—four million tonnes more than last year's production. This clearly showed that the green revolution had come in rice as well. Mr Jagjivan Ram said adequate arrangements had been made to store the available grains. Even airport hangars and private buildings had been requisitioned to store the procured grains. He said 10 million tonnes of foodgrains would be kept as a buffer stock.

Food imports

The minister defended the continuation of food imports this year under PL 480 as a deliberate decision to help build a stock of 14 million tonnes as quickly as possible. He made it clear that any grains coming under PL 480 were not a gift. The American government paid for the purchases made in the market and that was treated as a loan. The only accommodation was that India would be paying the loan in instalments spread over nearly 30 years at an attractive rate interest.

Fertiliser Production by 1979

Fertiliser production is expected to reach three million tonnes of nitrogen and 900,000 tonnes of phosphatic fertiliser annually by the fifth Plan end. According to the annual report of the ministry of Chemicals and Fertilisers placed in Parliament on May 6, fertiliser production in 1975-76 was 1.535 million tonnes of nitrogen and 320,000 tonnes of phophates. A large-scale programme of expansion of the industry to raise nitrogen capacity to about five million tonnes and phosphates to 1.3 million tonnes is now being implemented. At the beginning of 1975-76, 19 fertiliser units with a total capacity of 2.2 million tonnes of nitrogen and 690,000 tonnes of phosphates were in operation. With the commissioning of the private sector Tuticorin plant in June 1975, the total installed capacity had increased to 25,80,000 tonnes, making a total of 2.45 million tonnes of nitrogen. The plant is the biggest so far commissioned within the country. In addition, the expansion of the public sector Gorakhpur plant raising its capacity from 80,000 tonnes to 131,000 tonnes was completed during the year. Production from Gorakhpur expansion, which increased the total nitrogen capacity in the country to 2.509 million tonnes, commenced from December 27, 1975. According to the report, efforts are now under way to commission three more large plants, two in the public sector and the third in the private sector. The commissioning operation for the two public sector plants at Namrup and Barauni each with an annual capacity of 1,52,000 tonnes of nitrogen is proceeding satisfactorily.

Punjab Tops in Per Capita Expenditure

Punjab has claimed highest per capita expenditure on the implementation of the 20-point socio-economic programme, according to the Finance minister, Mr Hansraj Sharma. In 1976-77 the state would be spending Rs 92.43 per head. Mr Sharma, in a statement, said Rs 125.23 crores had been earmarked for various programmes of economic and social upliftment in the state. Last year, the state had spent Rs 100.93 crores on this head. A sum of Rs 120.31 crores was to be utilised under planned schemes and the rest of the amount under non-Plan head. Mr Sharma said the work pertaining procurement and distribution of essential commodities and functioning of consumer co-operatives would be strengthened at a cost of Rs 2.10 crores.

AP Gets World Bank Loan

The World Bank announced on May 4 the approva of a "Third Window" loan of $145 million to assist in financing the development of irrigation works and command areas of major irrigation systems in Andhra Pradesh. The $297 million composite project will help complete the construction of the irrigation and drainage works of the Nagarjunasagar project, and provide the first stage, covering three years of development on 72,000 hectares in the command areas of four irrigation systems in Andhra Pradesh. The project is the first step in a programme that will ultimately cover an area of over one million acres.

Reliable irrigation will be provided to 100,000 farms. Over a million people will get additional employment and wages. Net farm incomes, at present around $144 per hectare per year on unirrigated land will double through the provision of irrigation and quadruple due to command area development and improved extension services.

The project is scheduled to be completed in 1982. The "Third Window" loan is for 25 years including 7 years of grace. It will carry interest at $4\frac{1}{2}$ per cent per annum. An additional 4 per cent will be paid to the bank by the interest subsidy fund, representing the difference between the banks standard interest rate and the charge to India.

No Change in Credit Policy

The overall policy of credit restraint and discipline will continue for the slack season—from May to October. This was announced recently by Mr K.R. Puri, RBI Governor, at a meeting he had with the chief executive of banks. Commercial banks will continue to have RBI's support through refinance and rediscount assistance for being able to meet genuine credit requirements for public food procurement exports and other essential needs of production. There will be no change in the rate of interest and other terms and conditions of refinance and rediscount accommodation. Banks henceforth will have to prepare a quarterly credit budget in line with the framework RBI has evolved for improving credit planning exercise.

Working Group

Mr Puri announced that a working group would be set up by RBI to examine the role of the banking system in providing finance for housing schemes. RBI has accepted the recommendations of the committee on penal rates and service charges and appropriate guidelines in this regard are to be issued soon. The RBI Governor noted that, of late, there has been some increase in prices with the wholesale prices index in mid-April rising 2.5 per cent after a continuous decline from 330 6 to 282.4 between September 1974 and March 20, 1976. Credit operations of banks, therefore, had to be so conducted as to relate additional availability of bank credit to actual increases in real output and sales. Mr Puri projected an increase of about eight per cent in industrial production. The public food procurement credit which had already touched Rs 1,600 crores reflecting record procurement of goodgrains this year, may have to be further raised to facilititate procurement of rabi wheat.

Impounding Dearness Allowance

The Finance minister, Mr C. Subramaniam, on May 4, introduced in the Lok Sabha, a Bill to extend by a year the period over which half the increases in dearness allowance would be impounded. The Bill seeks to amend the Additional Emoluments (compulsory deposit) Act, which ceases to exist on July 6 next.

In the statement of objects and reasons for the Bill, Mr Subramaniam said the deductions made from July 1976 would be repaid in five equal annual instalments by crediting each such instalment to the provident fund account of the employee. Interest will be paid on the amounts so deducted at the same rate, that is 2.5 per cent above the maximum bank deposit rates, as for the amounts deducted up to June 1976, so long as such amounts remain in the deposit account.

For the amounts credited to the provident fund, the employer will not be required to pay any matching contributions. In the case of the employee who does not subscribe to any provident fund, the amount deducted from July 1976 onwards will be repaid to him in cash in five equal annual instalments.

NCAER on National Economy

The National Council of Applied Economic Research has expressed the optimism that the trade gap in 1976-77 will be smaller and that the country is likely to accumulate further foreign exchange reserves. This, the Council says in its review of the economy for the first quarter of 1976, should give the government ample freedom to import machinery, equipment and raw materials for boosting production for the domestic market as well as for exports.

Referring to industrial growth, the Council says the industrial peace, decline in the price of wage goods and lowering of licensing and permits barriers, together with the concession given in the 1976-77 central budget, "have prepared the soil on which industry has to sow". It has to make use of the incentives which have been provided to get the best measure of growth. "If it does not, it will be inviting the return of inflation.

Referring to the outlook for exports and achieving the export target of Rs 3,800 crores for 1976-77, the Council is of the view that with the world recession slowly lifting and an expected increase in the world trade by about five per cent India could hope for a larger share of this additional trade.

Consumer Fatigue

The NCAER has also expressed the view that in some consumer industries such as air conditioners, refrigerators and motor cars, the recession which has fellowed two bad monsoons, was a phenomenon that repeats a pattern of the past, but there was perhaps a new feature on this occasion that needed to be noted by industry especially consumer industries. Ever since 1940, for 35 years, prices had been rising consistently, but in many cases, quality had been falling. The consumer. according to NCAER, had therefore, paid more and received less. When he had at least a right to receive more by way of innovation. There had therefore set in a phenomenon of "Consumer fatigue" out of which he could be coaxed by an addition in real income, improvement in quality and innovation. Marketing and after sales service as well as packaging needed considerable improvement to attract the attention of the consumer.

Coal Production and Export

Nearly one and a half million tonnes of coal would be exported this year against 450,000 tonnes last year. The minister for Energy, Mr K.C. Pant, said in the Lok Sabha recently that it was expected that five million tonnes would be exported by 1978-79. He said coal production would be considerably stepped up this year. His ministry was taking steps to achieve a target of 108 million tonnes in 1976-77. Mr Pant said exports were necessary to ensure that the momentum of increased production was kept up. He said coal production had increased rapidly last year. India had surpassed West Germany and ranked fifth in coal production. Mr Pant said an expert committee, set up to work out the economics of converting coal into crude oil was expected to submit its report by the end of June.

Hathi Panel Suggestions

The government has decided to give licences and preferential treatment for the manufacture of formulations to those Indian companies in whose case the ratio of bulk drug to formulations is within 1:10. Yet another condition is that such companies in the Indian sector of the drug industry will have to have their manufacturing activities on indigenous and imported bulk drugs in the ratio of 2:1. This was a recommendation of the Hathi Committee which has been accepted by the government. However, a final decision on the Hathi Committre report as a whole has yet to be taken.

With regard to the accepted recommendation, the condition will enable the government to discriminate between Indian parties only, without giving any special benefit to foreign companies. The government has so far approved the grant of letters of intent and industrial licences to 16 proposals in line with the recommendations of the Hathi committee. Over a period of one year, up to the end of April, the government had received 36 proposals from the Indian companies for the manufacture of drug formulations.

UN-Aided Scheme for ESI Workers

A fifth of the 18 million beneficiaries of the Employees State Insurance Scheme (ESIS) in the country are to be covered by family welfare planning services through a UN-aided project just under way. The three-year project in collaboration with the International Labour Organisation (ILO) has financial assistance from the UN fund for Population Activities (UNFPA) to the extent of $737,150. This will help augment the ESIS corporation medical benefit scheme for education, motivation and provision of services for family planning. In spite of changes in the concept to medicare, family planning services have not yet been integrated into the ESI Scheme. As industrial workers can be easily and effectively approached, contacted and motivated through the extensive network of ESIS dispensaries and hospitals, the project

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envisages family welfare planning centres attached to ESI dispensaries.

World Interest Rates

International Finance, a publication of Chase Manhattan Bank group has brought out world interest rates as on April 28, 1976. There are wide variations in Central Bank discount rates ranging from 12.00 (penalty rate 15.00 per cent) in Italy to as low as 2.5 per cent in Switzerland. Bank sight deposit rates carry 1.00-3.00 (large deposits) in the Netherlands and 1.00 per cent in Switzerland to nil in the USA and Canada. In our country also bank sigh deposits (current accounts do not carry any interest On the contrary the bank charge a service charg irrespective of whether there is a service rendered or not.

World Interest Rates

(Rates as of April 28, 1976; bond yields as of April 23, 1976)

In percent per annum	US	Canada	Britain	Belgium	France	Germany	Italy	Netherlands	Switzerland	Japan
Central Bank Discount Rate	5.50	9.50	10.50	7.00	8.00	3.50	12.00 penatly rate 15.00	4.00	2.50	6.50
Day-to-Day-Money	5.00 April 29	9.25	9.8125	6.30	7.5625	1.30	n.a.	1.00	0.75	6.625
Treasury Bills 91-day, Middle Rates	4.82	8.98	9.875	9.25 120-day	n.a.:	n.a.	n.a.	no dealing	no market	5.625 2 month
Commercial Paper prime, 3-month, asked	5.125 finance paper	9.815 finance paper 15% tax w/h	9.60 H.P. on discount basis	6.90 Certified	7.875 no market	no market	no market	no market	no market	not traded
Bankers' Acceptances 3-month, asked	5.15	9.60 15% tax w/h	10.00	9.10 Certified	not traded	5.15	no market	no market	4.50 not traded	no market
Government Bonds long-term, new and old issues, average yield	6.73	9.85	13.35	9.59 20% tax w/h	9.01	7.78	10.92	7.36	5.19	8.57
Industrial Bonds prime, long-term, new and old issues, average yield	8.76 Aa Industrials	10.40	14.94	11.66 20% tax w/h	10.72	7.86	10.28	8.34	5.98	7.32
Bank Short-Term Rate to BestBorrowers (prime rate)	6.75	10.25	10.50	11.25	10.30	7.25	18.25	6.00	6.75	6.75
Bank Sight Deposits	Zero	Zero	Zero	0.50	Zero	0.50	n.a.	1.00-3.00 large deposits	1.00 residents only	Zero
Bank Time Deposits 3-month	5.00 Cert. of Dep.	9.75 Cert. of Dep.	10.0625 Cert. of Dep.	11.05	7.9375	3.35	n.a.	3.50 large deposits	1.00 residents only	4.50 15% tax w/h
Exchange Rates—in US$ rates floating against the £	—	1.0180	1.8315	0.25725	.2143	.3940	.001120	.3715	.3965	.003341
Forward Exchange Cover 3-month, in percent p.a. D=discount, P=premium	—	4.25D	5.50D	6.375D	6.00D	2.125P	24.625D	2.00P	4.00P	.25D

Reproduced on opposite page is the table of world interest rates given by *International Finance*.

EEC Market for Indian Goods

The markets of the European Economic Community, comprising nine countries with a population of about 257 million, are ready to to receive, on a large scale, Indian products ranging from light engineering goods to cattlefeed. The Director General, "external relations" of Commission of the European Communities, Mr M. Drury, said that he was quite aware of India's potentialities in the manufacture of engineering goods. It was a question of making the European market interested. India's exports last year to EEC countries were about Rs 7 million and imports from them totalled nearly Rs 7.5 billion. This accounted for 24 per cent of India's total exports to the region. In spite of this apparently large volume of trade with the nine countries in EEC, India's share was less than one per cent of the Community's global import. Mr Drury said, in the case of diesel engines European manufacturers might use the Indian engines as components of larger units. The interest in the cattlefeed in EEC countries is so great that a broad-based team may visit India early next year to explore possibilities of lifting its major ingredients, he said.

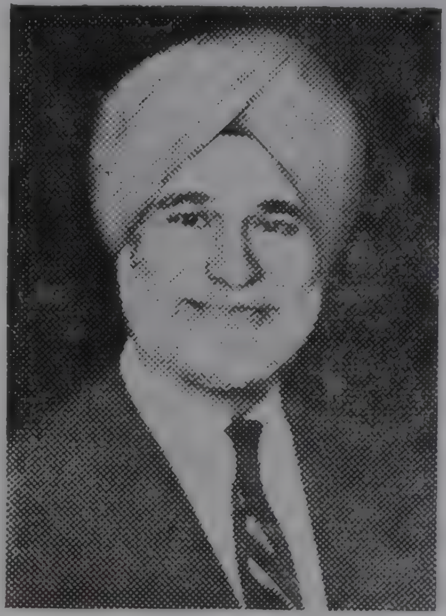
Growth in Tourist Traffic

India registered a 10 per cent growth in tourist arrivals in 1975. A record number of 4,65,275 tourists visited India in 1975 compared to 4,23,161 in 1974. India's gross foreign exchange earings from tourism in 1975 were estimated at Rs 104 crores. The Department of Tourism took advantage of the celebration of 1975 as South-Asia tourism year to focus attention on India's tourist attractions overseas and to create toursim conciousness within India. Among the important promotional measures undertaken during the year were the introduction of 'Discover India' and 'Travel as you like' tickets by the Indian Airlines and Indian Railways respectively. Foreign tourists were allowed entry into India without visa for 28 days on multi-entry basis.

In the field of hotel development fairly good progress was recorded. By the close of 1975-76 India had 15,000 hotel rooms approved by the Department of Tourism against 14,000 in 1975. Fourteen youth hostels and eight tourist bungalows had also been completed. The emphasis in the fifth Plan will continue to be on building up the tourist infrastructure development of selected areas. The entire effort in implementing the plan schemes was directed to meet the demands of one million tourists expected to visit India by 1980.

Names in the News

Bhai Mohan Singh, Managing Director, **Ranbaxy Laboratories Ltd**, has been elected chairman of the All India Manufacturers Organisation. Bhai Mohan Singh has varied interests ranging from pharmaceuticals to manufacturing and marketing of cosmetics, food products, advertising, printing etc.He is chairman and director of a number of companies some of which are Jagatjit Industries Ltd, Hamira (Punjab), Bhai Traders and Financiers Pvt Ltd, New Delhi, Sahib Singh Manufacturing Co. Pvt. Ltd, Bombay, Guptalon Ltd, Hyderabad, Triochem Products Pvt. Ltd, Bombay. and Universal Glass Ltd, New Delhi.



Bhai Mohan Singh

Mr Bansi Dhar who has been elected chairman of the **Vanaspati Manufacturers' Association of India** for 1976-77 is a director on the Board of the Delhi Cloth and General Mills Co. Ltd and chairman of Hindustan Vacuum Glass Ltd. He has been the president of a number of industrial associations, such as the Indian Sugar Mills Association, the Delhi Factory Owners Fedeation, the Suger Technologists Association of India and the Delhi Management Association.

Bansi Dhar

Mr Dilip Sen, Manager, Calcutta Branch of Clarion-McCann Advertising Services Ltd., has been appointed Regional Director, Calcutta and Delhi from April, 1976. Mr. Sen joined the agency in 1967 as a Senior Account Executive and was given charge of Calcutta operations in 1972. A widely travelled man, he has participated in a number of professional courses and conferences in India and abroad, the last one being a re-orientation programme at the Interpublic Headquarters in New York.

Dilip Sen

COMPANY AFFAIRS

Mahindra Ugine Steel

THE BOARD of directors of Mahindra Ugine Steel Company Limited has recommended dividend of 14 per cent (subject to deduction of tax at source) for the year 1975. Sales (excluding other income) for the year amounted to Rs 1,376.05 lakhs as against Rs 1,442.89 lakhs during the preceding year. The output of finished alloy steel in the plant declined by about 3,700 tonnes as the operations of the plant were affected by power cuts in the state of Maharashtra.

Less Profit

The profit for the year, before taxation, amounted to Rs 223.42 lakhs as against Rs 322.08 lakhs last year after providing Rs 65.22 lakhs for depreciation as against Rs 60.96 lakhs in 1974. Provision for taxation for the year amounted to Rs 126.50 lakhs as compared to Rs 192.00 lakhs in 1974 leaving a net profit of Rs 96.92 lakhs as against Rs 121.23 lakhs last year.

After providing for prior years' adjustments, the total amount available for appropriation works out to Rs 97.91 lakhs. Proposed dividend payments of 14 per cent on the expanded equity capital of Rs 377.50 lakhs and 9.3 per cent on cumulative redeemable preference shares will absorb Rs 57.49 lakhs. The directors have decided to transfer Rs 4.89 lakhs to a special reserve. The balance of Rs 35.52 lakhs remains to the credit of profit and loss account.

The merger scheme with the Bank of Baroda Limited became effective on September 22, 1975. Interests on convertible and non-convertible debentures payable to the shareholders of the Bank of Baroda Limited from July 1974 to December 31, 1975 have already been paid.

Additional Facilities

Construction work for creation of additional facilities to increase the capacity of the plant from 24,000 tonnes to 60,000 tonnes of finished alloy steel per annum is proceeding at a fast pace and the expanded facilities will go on stream by the end of 1977.

The company has executed investment agreements with IFCW and ICICI for $ 9.5 million and $ 3 million respectively. Security for the above loans has also been created and the company is expecting disbursements against these investment agreements shortly.

R & D Achievement

Conspicuous success has been achieved in the field of Research and Development inasmuch as a breakthrough was achieved in establishing production of aircraft quality steel used for manufacture of components required for under-carriages of supersonic aircrafts. Progress made in earlier years for developing sophisticated grades of alloy steel such as torsion bars for tanks, stainless steel for critical applications, valve steel for engine, boron and creep resisting grades of steel etc. was consolidated further.

During first four months of the current year, the company has achieved a sales turnover of Rs 536 lakhs as against Rs 427 lakhs during the corresponding period of the preceding year. The company hopes to achieve significant increase in its output of finished steel and turnover during the current year by augmenting its integrated capacity through conversion of bought out blooms and ingots into finished products.

ITC

With effect from April 1, 1975 the assets of the Indian Branch of Indian Leaf Tobacco Development Co Ltd, incorporated in the Isle of Man has been purchased by ITC Limited of 37, Chowringhee, Calcutta. Indian Leaf Tobacco Development Co Ltd is a 100 per cent UK company and its only busines is the business which it carries on in India. The company started operation in India to develop 'Virginia' tobacco (which was previously imported) for local consumption. During the last four decades it has moved from import substitution to making India one of the leading exporters of tobacco. For the year ended March 31,1975 the total sales of ILTD was Rs 42 crores, of which export sales comprised approximetely Rs 24 crores.

Paid-up Capital

ITC Limited has a paidup share capital of Rs 18.95 crores and reserves of Rs 22.65 crores. Forty per cent of the share capital is presently held by the Indian public, the balance being held by three non-resident shareholders. It is planned to increase the Indian participation to 60 per cent within the next two years. For the year ended March 31,1975 the sales of ITC was Rs 324 crores and profit before tax was Rs 7.8 crores.

Because of the synergy of

vities of ITC and ILTD, arrangement will help mproving the viability of rations of both units ch should be reflected in dividends and share ce of ITC Limited.

dian Bank

t is a matter of gratifica-n that the breakthrough de by the Indian Bank in year 1971 in resources obilisation has been well pt up, and the bank's tal deposits in India (ex-uding inter-bank) smartly se by Rs 82.37 crores dur-g 1975 from Rs 266.97 ores at the end of 1974 to s 349.34 crores at the end f 1975, a rise of 30.85 per ent. Including inter-bank, eposits in India rose from Rs 270.66 crores to Rs 353.76 crores. Including verseas branches, the bank's deposits rose from Rs 279.46 crores to Rs 362.85 crores at the end of 1975. The average deposit per branch in India including inter-bank rose from Rs 54.35 lakhs at the end of 1974 to Rs 61,20 lakhs at the end of 1975.

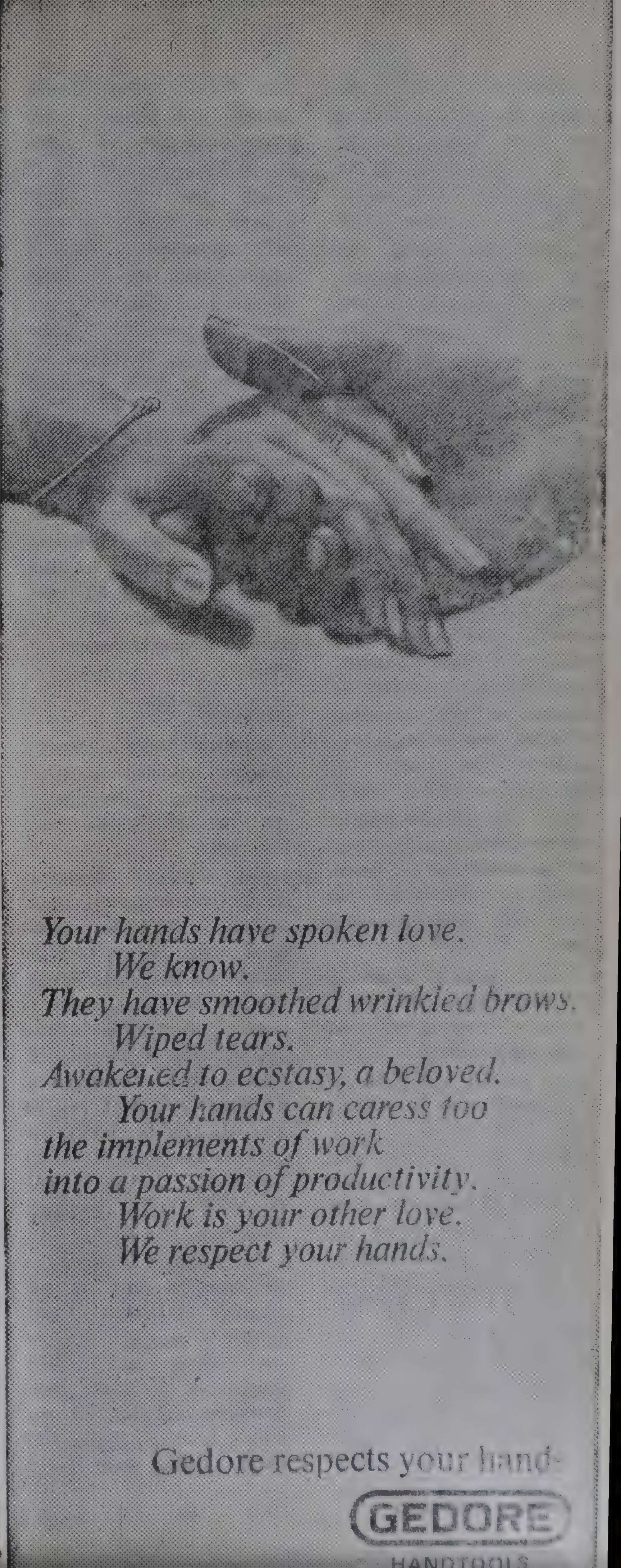
The bank extended its branch network in 1975 to Madhya Pradesh, Himachal Pradesh and Meghalaya. With this the bank has branches in all the states and union territories in India except the states of Manipur, Nagaland, Tripura and Jammu and Kashmir, and the union territories of Arunachal Pradesh, Mizoram, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep. As at the end of 1975 the bank had 578 branches in India spread over the 17 states and 4 union territories. 146 branches were in rural centres, 202 in semi-urban, 108 in urban and 122 in metropolitan areas. At 161 centres in the country, Indain bank was the only operating bank as at the end of 1975. It opened 80 branches in 1975 as against 71 in 1974.

Extension Counters

The bank is also providing customer service to institutions and groups of customers through extension counters. At the end of 1975 the bank has been operating 22 extension counters. Four extension counters were added in 1975, one at the Theosophical Society, International Headquarters in Madras, another at St. Michael's High School in Patna, one at the municipal office, Coimbatore, and another at the Taj Coromandel Hotel in Madras.

The 10 districts where Indian Bank has been assigned lead role has a fair coverage of commercial bank brance network. Only 19 blocks in the ten lead districts were unbanked as at the end of December 1975. We have already formulated plan for opening branches in nine of the unbanked blocks during the year 1976, the remaining to be covered in 1977.

The bank's credit-deposits ratio was brought down to 66.80 per cent at the close of the year against 68.34 per cent at the end of 1974, and the bank was generally able to meet its lending obligations fairly


Your hands have spoken love.
We know.
They have smoothed wrinkled brows.
Wiped tears.
Awakened to ecstasy, a beloved.
Your hands can caress too
the implements of work
into a passion of productivity.
Work is your other love.
We respect your hands.

Gedore respects your hand

comfortably. Total advances in India including due from banks rose by Rs 51.32 crores during the year, from Rs 184.98 crores to Rs 236.30 crores, 27.74 per cent rise during the year. The percentage increase since nationalisation was 294.29 per cent, from Rs 59.93 crores to Rs 236 30 crores. Average credit per branch increased from Rs 27.37 lakhs to Rs 40.88 lakhs.

Credit Operations

Bank credit operations of the bank's rural branches were maintained at high level. Contrary to national average, lendings at the bank's 146 rural branches, made 117.90 per cent of the deposits at these branches, a further improvement over credit-deposits ratio of 105.71 per cent at the end of 1974. The credit-deposits ratio of the rural branches of all scheduled commercial banks as of December 1974 was 52.64 per cent only.

Total income rose to Rs 32.99 crores (Rs 25.12 crores in 1974), a 31.33 per cent rise. Interest and discount earned was 32.90 per cent higher at Rs 28.96 crores (Rs 21.79 crores in 1974). Interest paid on deposits, borrowings, etc, increased to Rs 19.25 crores (Rs 13.85 crores in 1974), 38.99 per cent higher. Salaries, allowances, provident fund, etc, increased from Rs 7.47 crores in 1974 to Rs 8.97 crores in 1975, a rise by 20.08 per cent while percentage rise of 1974 over 1973 was 32.18. Prescentage rise in total expenditure was slightly lower than the percentage rise in income, 31.25 per cent, total expenditure for 1975 was Rs 31.75 crores (Rs 24.19 crores in 1974). The balance of profit for year 1975 amounted to Rs 1.24 crores against Rs 93 lakhs for 1974, a rise of 33 per cent. A sum of Rs 16 lakhs being excess provision for expenses in 1974 has been written back (net of tax) to the profit taking the net available surplus to Rs 1.40 crores. With the transfer of Rs 80 lakhs to reserve fund the amount of the statutory reserve fund moves up from Rs 60 lakhs at the end of 1974 to Rs 1.40 crores at the end of 1975.

Svadeshi Mills

Svadeshi Mills Company Ltd, has reported encouraging working results during the year ended December 31, 1975. Sales, net of excise, advanced from to Rs 15.56crores from Rs 13.60 crores in 1974 but gross profit declined to Rs 99.26 lakhs from Rs 141.44 lakhs. Out of the gross profit, a sum of Rs 32.39 lakhs was appropriated to depreciation reserve, Rs 7.30 lakhs to development related reserve and Rs 28.00 lakhs for taxation as against Rs 33.90 lakhs, Rs 8.25 lakhs and Rs 60.00 lakhs provided respectively in 1974.

The board of directors of the company have recommended declaration of preference dividend of Rs 7.14 per share and equity dividend of Rs 20 per share (previous year : Rs 20 per share), aggregating Rs 25.27 lakhs. If this proposal is approved by the shareholders at the annual general meeting to be held on May 27, 1976, out of the recommended equity dividend of Rs 20 per share, Rs 9.80 per share (previous year : Rs 12 per share) would become payable after the annual general meeting and the balance Rs 10.20 per share (previous year : Rs 8 per share) would become payable in two equal instalments on July 6,1976 and July 6, 1977, together with interest at eight per cent per annum.

EID-Parry

After obtaining the shareholders' consent, petitions were filed in the Madras High Court and in London for obtaining their sanction and for transfer of assets and liabilities of EID-Parry Ltd to the new Indian Company, EID-Parry (India) Ltd. If all goes well all formalities are expected to be completed soon. According to current indications the scheme will become effective from end-June 1976. The New Indian Company will, on its own, carry on by and large the business operations of EID-Parry Ltd. This was disclosed by the Chairman, Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company.

The conditions under which the group had to operate during the 15-month period ended December 31, 1975 were indeed extremely difficult. The group was faced with a number of problems in relation to two of its main operations namely sug and fertiliser. Sever factors inhibited sales vo ume and profitability. Th unusually heavy burden fertiliser inventories whic the group has to carr resulted in a severe incidence of interest charge Moreover the benefit which the group derive last year from certain non-recurring factors were no expected to be repeate this year. Consequentl the group's net profit before taxation for the perio under report was Rs 202.1 lakhs as against Rs 560.8 lakhs in the precedin year.

Steep Decline

Notwithstanding the stee decline in net profi before taxation, it is heartening to note that the incidence of taxation i relation to profits is considerably lower this yea consequent upon certai exceptional factors with th result that the net profi after taxation at Rs 110.3 lakhs is lower by onl Rs 49.27 lakhs as compared with the after ta profit of Rs 159.6 lakhs in the previous year. The director have recommended a equity dividend of 12 pe cent for the 15 month ended December 31, 1975.

Nellikuppam Sugar factory crushed 6.44 lak tonnes cane during the 1 months ended December 31, 1975 and produce 49,408 tonnes sugar at a average recovery of 7.67 pe cent. The levy price continues to remain uneconomical and does not full compensate the escalation in costs and the matter is before the court.

Lower Yields

Nellikuppam factory crushed 1.74 lakh tonnes of cane for the period January 1, 1976 to March 26, 1976. The season had to be closed for want of cane due to lower yields. The plantings for 1976-77 season are quite satisfactory and the factory is expected to start crushing in September/October, 1976. A letter of Intent has been received to expand the capacity of Nellikuppam factory from 2,750 TCD to 4,000 TCD. Steps have been initiated to undertake an expansion initially to increase the crushing capacity of Nellikuppam factory to 3,000 TCD by the end of the 1976 off-season. With the ultimate expansion to 4,000 TCD in view, steps are being taken to increase the plantings of cane to ensure an adequate supply thereof.

With the re-introduction of prohibition in Tamil Nadu as from September 1, 1974 the bulk of production during the year under review was sold outside the state. The possibility of locating the IMFL plant outside the state of Tamil Nadu is being explored.

CO_2 production and sales continued to be satisfactory in spite of competition that prevailed during the period under review.

The year witnessed a rather sudden transformation in the market conditions from one of shortage to easy availability and sluggishness of demand. Several factors, but predominantly price fluctuations, distribution controls, credit constraints and unfavourable seasonal conditions, contributed to a decline in demand, leading to higher inventory level and carrying costs. It was through intense promotional efforts, aggressive selling, enlargement of sales force and distribution network and extension of the marketing territory that the group had been able to achieve during the year under review a sales volume representing 95 per cent of the previous financial year.

Rated Capacity Surpassed

During the 15 months period, Ennore factory achieved a production level higher than its rated capacity for phosphatic fertiliser. Due to power cut ranging up to 40 per cent, the production of ammonium sulphate had to be restricted, and for several months during the period this unit remained shut down.

The company has made considerable strides in the field of exports. A substantial volume of export of textile garments has already been built up and its efforts to export other Indian products have commenced bearing fruits.

The merchanting and trading activities consisting mainly of engineering and consumer products continue to lend steady support forming an integral part of the mainstream of the company's business. New lines have been added although in some of these, turnover can be built up only over a period of time. The pharmaceutical trading continue to maintain a steady rate of growth. Whilst on the whole the merchanting turnover registered an increase, continual spiralling of selling and administration costs cut into profit margins.

Rajasthan Financial Corporation

The Rajasthan Financial Corporation (RFC) has signed an agreement with Indian Bank under which the Indian Bank will provide working capital on concessional rate of interest to small-scale units to whom RFC sanctions term loan for fixed capital. Under the agreement, Indian Bank would provide working capital loan to the extent of 100 per cent of the requirements to unemployed technocrats at reduced rate of interest to whom RFC sanctions 100 per cent term loan for fixed capital upto a total loan limit of Rs 2 lakhs.

The Indian Bank has agreed to provide bridging loans to the entrepreneurs in cases when the sanctions/disbursements of term loan by the corporation is in process The corporation and Indian Bank have both agreed to extent their mutual cooperation and help in the inspection of units and in devising scheme of rehabilitation of industrial units which are facing difficulties in running their units. They will help each other in the matter of recovery of loans also. RFC and Indian Bank have both agreed to make special efforts to guide the borrowers whose machinery requirements include imported machinery as such imports would make the entire term loan eligible for refinance from IDBI under IDA line of credit. This would help the borrower in obtaining import licenses expeditiously.

It may be recalled here that RFC has been making efforts to evolve arrangements with the commercial banks for cooperation and coordination in areas like appraisal of credit needs of the industrial units, sanction of fixed and working capital loans etc in order to provide package of financial assistance to small-scale industries. In this context the corporation has already come to an agreement with the Bank of Rajasthan, Central Bank of India, State Bank of India, Punjab National Bank and State Bank of Bikaner & Jaipur for integrated financial assistance.

Ahmedabad Advance

Ahmedabad Advance Mills has reported satisfactory working results during the year ended December 31, 1975. Sales, net of excise, was higher at Rs 16.62 crores as compared to Rs 16.15 crores in 1974 but gross profit was lower at Rs 103.68 lakhs as against Rs 130.31 lakhs in the preceding year. Out of the gross profit, a sum of Rs 60.48 lakhs was earmarked to depreciation reserve as against Rs 41.46 lakhs in 1974 while no allocation has been made for taxation as against Rs 10.00 lakhs provided proviously. No provision has been made for development rebate reserve as against Rs 50.00 lakhs allotted in the previous year. The board of directors of the company have recommended declaration of preference dividend of Rs 7.14 per share and equity dividend of Rs 16.00 per share) aggregating Rs 24.23 lakhs. If this proposal is approved by the shareholders at the annual general meeting, to be held on May 28, 1976, out of the recommended equity dividend of Rs 16.00 per share, Rs 9.30 per share (previous year : Rs 12 per share) would be payable after the annual general meeting and the balance of Rs 6.70 per share (previous year Rs 4 per share) would become payable in two equal instalments on July 6, 1976, and July 6, 1977, together with interest at eight per cent per annum.

Hindustan Organic Chemicals

Despite difficulties faced in the beginning of the year in getting sufficient quantities of raw materials like nitric acid and unfavourable market conditions, HOC could achieve better results on the production as well as sales front in the year 1975-76. Improvement in production was particularly spectacular. It reached all time record of 56,670 MTs as against 49,809 MTs in 1974-75 and 37,419 MTs in 1973-74, the overall increase on the previous year's production being 14 per cent. In respect of two plants viz. Acetanilide and Sulphuric Acid, even the annual rated capacity has been exceeded. In many other plants, monthly capacities were exceeded in many months.

News and Notes

Curewell (India) proposes to clear arrears of preference dividensd for 1973 and 1974.

The directors of **Sandvik Asia** have proposed to issue bonus shares in the ratio of one share for every three equity shares held. They have also recommended an equity dividend of 22 per cent for 1975, the same as that declared for the previous year.

Zenith Steel Pipes and Industries has shipped about 5,400 tonnes of galvanised steel pipes valued at about Rs 1.65 crores to Iran. This is stated to be the largest single shipment of galvanised pipes from India to any country in the world.

Mr Subodh B. Kaji, deputy general manager of Bank of India has been appointed general manager of the bank. Mr Kaji was the chairman of the foreign exchange dealers association for two years and that of the committee examining the formation of a corporation to take over foreign branches of the public sector banks. He held a number of important posts both in India and abroad and was elevated to the rank of deputy general manager of the bank in 1968.

New Issues

The Industrial Credit and Investment Corporation of India (ICICI) is entering the market with an issue of $6\frac{1}{4}$ per cent debentures (1991) for Rs 12.50 crores, with a right to retain excess subscription money up to ten per cent of the issue. The debentures will be issued at 97.50 per cent. The subscription list will open May 20, on 1976. The debentures are guaranteed by the government of India as regards repayment of the principal and payment of interest thereon. With the government guarantee, the debentures become "approved security" under the Indian Trusts Act, 1882, the Inusrance Act, 1938 and the Banking Regulation Act, 1949. The debentures, are therefore eligible securites for investment of provident fund monies in accordance with the formula for investment of such funds.

Andhra Pradesh Steels promoted by APIDC, wil issue on May 26, 7.35 lakh equity shares of Rs 10 each and 33,000—11 per cent cumulative redeemable preference shares of Rs 100 each at par. The public issue has been fully underwritten by financial institutions and commercial banks The proceeds will be utilised for financing partly the company's Rs 5.35-crore project being set up at Paloncha a notified backward district of Khammam (Andhra Pradesh) for manufacturing mild steel and high carbon steel billets and wire rods.

The project is being implemented in two phases the first phase covering the electric arc furnaces and continuous casting machine to produce 47,000 tonnes of steel billets per annum and the second phase covering the rolling, conditioning and heat treatment facilities to process the billets into finished steel.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year,	Previous year
Higher Dividend			
Bajaj Tempo	Sep. 30, 1975	10.0	9.0
Bharat Bijlee	June, 30, 1975	12.0	8.0
Peirce Leslie India	Sep. 30, 1975	9.0	5.0
Same Dividend			
Ferro Alloys Corpn.	Dec. 31, 1975	12.0	12.0
Svadeshi Mills	Dec. 31, 1975	20.0	20.0
Antifriction Bearings	Dec. 31, 1975	12.0	12.0
Madras Aluminium	Dec. 31, 1975	Nil	Nil
Mahindra Ugine Steel	Dec. 31, 1975	14.0	14.0
Reduced Dividend			
Mysore Lamp Works	Dec. 31, 1975	Nil	12.0
J.K. Chemicals	Dec. 31, 1975	Nil	12.0

RECORDS AND STATISTICS

Report of ministry of Industry and Civil Supplies: 1975-76

THE RATE of growth of industrial production has further accelerated and is likely to be between 4 to 5 per cent in 1975-76 according to the report of the ministry of Industry and Civil Supplies for 1975-76. In particular, production in some of the major industries, (e.g. steel, coal, cement, fertilisers and electricity during the first ten months of 1975-76 was substantially higher than the corresponding period of the last year. The rate of growth in these industries in the first ten months of the year ranged from 11 to 29 per cent.

There are also indications that some of the industries which had been affected by decline in production during the earlier part of the year have begun to show an improvement towards the latter half e.g. in plastics, man-made fibres, paper and paper board, paints and varnishes and matches etc. This is revealed in the ministry's report for 1975-76.

The economy is thus poised for a breakthrough in the industrial field. A large part of the industrial sector is likely to have shown a growth rate of about 7 to 8 per cent (consisting of industries such as coal, electricity, steel, fertilisers, cement, nonferrous metals and capital goods etc.) during 1975-76, and the overall rate of growth in industrial production is likely to be between 4 to 5 per cent. With a substantial increase in the Plan outlay for the next year, the growth rate in the core sector can be maintained. Given the extent of the untilised capacity still available in the country, there is no inherent reason why the overall rate of growth in the industrial sector could not be further accelerated during the coming year.

Generate Demand

The change in the price situation requires that industry should be willing to readjust its costs and reduce prices in order to generate demand for its products. Unless these industries realise this, they would find themselves caught in a vicious circle of high prices, low demand, low sales, and continuation of high prices in order to maintain sales revenue

The government has shown considerable flexibility in regulating policies and procedures for promotion of production and investment in desired lines. The best advantage from this situation can be taken only if industrial behaviour becomes more forward looking, more cost and quality concious, and more adaptable to the changing demand situation.

Major Factors

So far as 1976-77 is concerned, there are a number of factors which give confidence that the achievements of 1975-76 will not only be consolidated but also exceeded. Among these factors, a major contributory element is continuing price stability. Another factor of major importance for agro-based industries, which account for a large weight in the index of industrial production, is the improved situation regarding supply of agricultural raw materials in the wake of an excellent crop. Improvement in the supply situation in respect of agricultural raw materials has been accompanied by an equally striking improvement in the supply of other inputs, particularly coal, power, steel and cement.

The balance of payments situation is also favourable, and public sector outlay is being substantially increased in 1976-77 which should raise the aggregate level of demand in the economy. Not the least of the favourable factors for growth is the change that has been brought about in the government policies and procedures for increase in production and investment in the economy.

In the field of production, the most striking achievement of 1975-76 was in respect of the public sector enterprises. In 1975, public sector undertakings continued to show an impressive rate of growth, which was considerably higher than the overall rate of growth in the industrial production. In physical terms, the rate of growth of public sector output was of the order of 17 per cent during April-Janury 1975-76 over the correspondings period of the last year. The public sector has lately emerged as the leading sector in the industrial economy of the country.

Increased Production

Increase in production in the heavy engineering sector was particularly impressive. Production in the undertakings under the purview of the department of Heavy Industry during the first ten months of 1975-76 was estimated at Rs 5,570 million, which was higher by 35 per cent compared with the corresponding period of the previous year.

Apart from the performance of the public-sector, the trend of production during the current year (1975-76) in the private sector in critical areas has been encouraging. The total production of machine tools is likely to exceed Rs 1,000 million during this year as against a production of Rs 910 million in 1974-75. Production of machinery for manufacture of tyre and rubber goods which stood at Rs 35 million in 1974-75 is expected to be more than double during the year. Chemical machinery worth Rs 500 million is expected to have been produced during this year registering almost 20 per cent increase over the production during 1974-75. Paper machinery and sugar machinery are expected to touch Rs 200 million and Rs 300 million during 1975-76 registering an increase of 53 per cent and 18 per cent over the performance during 1974-75.

Significant Improvement

Production of commercial vehicles is expected to be in the range of 47,000 as against 40,713 in 1974-75. Motor cycles, may touch 68,000 as against 61,273 in 1974-75. Production of scooters during April-November 1975 is 68,285 and it is expected to reach a figure of 1,35,000 numbers during 1975-76. production of tractors in 1975-76 would be of the order of 33,000 numbers as against 31,088 during 1974-75. The overall performance of the hevy engineering units in the private sector has been maintained and expected to show significant improvement during the current year.

Cumulative production in undertakings under the department of Industrial Development was of the order of Rs 770 million which meant an increase of 51 per cent over the corresponding period of the previous year. Among these, production of cement in the two units of the Cement Corporation of India amounted to 277,000 tonnes during April-January 1975-76 showing a rise of 25 per cent over the corresponding period of the previous year. The production at the Bharat Ophthalmic Glass Limited at Rs 6 million during April-January 1975-76 was higher by 173 per cent over April-January 1975-75. Production at Instrumentation Limited, Kota and National Instruments, Calcutta showed an increase of 50 per cent and 0.5 per cent respectively.

Another remarkable feature of industrial production during the year was the tremendous improvement that has taken place in the supply situation of basic inputs. For example, production of saleable steel in the main integrated plants during April-January 1975-76 increased by 18 per cent,' that of coal (including lignite) by 12 per cent and electricity generated by 12 per cent.

Special Cells

Engineering exports have touched a figure of Rs 1848 million in April-October 1975 and will at least reach upto Rs 3,800 million in 1975-76 as against the target of Rs 4,000 million. The performance in 1974-75 was Rs 3,520 million. Similar improvement has been registered in respect of production of cement, consequent to the ministry of Industry and Civil Supplies having set up a special cell for increasing supply of coal and coordinating movement.

Self Reliance

The policy of imports substitution is an integral part of national objective of self-reliance. The steadfast pursuit of this objective has paid rich dividends over the years and the progress made is amply demonstrated by the fact that during the year 1974 for sustaining production of over Rs 70,000 million from the organised sector of industries looked after by Directorate General of Technical Development, the import bill was not more than Rs 6,000 million indicating an average import content of less than 10 per cent.

An important element in the industrial strategy of our country is to promote the development of small-scale industries. A development in this field during 1975-76 was the revision of the definition of small-scale and ancillary industries. Taking into account the steep increases in the price of capital equipment and replace ment costs, government announced a revision of the investment ceiling in the small-scale and ancillary industries with effect from May, 1975. In the case of small-scale industries, the ceiling on investment in plant and machinery has been raised from Rs 7,50,000 to Rs 1 million and that of ancillary units from Rs 1 million to Rs 1.5 million.

Emphasis on promotion of industry in the backwa areas has continued throug industrial approvals, speci incentives and increase quantum of assistance fro term lending institution The tempo of reimbursemen of capital subsidy to stat governments and othe agencies towards development of backward areas ha picked up and about Rs 9 million are expected to b disbursed during 1975-7 as against Rs 40 million i 1974-75. This would represent a minimum investment of Rs 600 milion (a the rate of 15 per cent subsidy) in industries set up i backward areas, and i actual practice, would b considerably higher because of the ceiling of Rs 1.5 million as the maximum subsidy to be given to any undertaking irrespective of the size of investment.

Important Objectives

One of the important objectives of government's policy during the year was not only to incrcrease production but also to make available essential goods to the people at reasonable prices and in satisfactory quantities. To this end, the strategy adoped was two-fold viz., expansion and streamlining of public distribution system and developffient of cooperatives for distribution of consumer articles. During the year, the number of fair price shops for distribution of foodgrains and sugar was increased from 215,000 to 230,000. Similarly, the number of retail outlets for distribution of kerosene oil was increased from 100,000

216,000. In addition, ,000 retail outlets have een established for distri-ution of soft coke mainly n the northern region. long-side the expansion of he public distribution ystem, measures have been aken to bring about qualit-ive improvement in the functioning of the system.

During the year, development of cooperatives for undertaking the distribution of consumer articles has been given a place of primacy. The financial outlay in the annual Plan was considerably stepped up during the year. Cooperatives have been sought to be strengthen both organisationally and managerially. At present cooperatives are operating nearly 17,500 retail outlets in the urban areas including 171 cooperative department stores and about 53,000 retail outlets in the rural areas. In the cooperative year ending June 1975, the total volume of consumer trade handled by cooperatives is estimated to be about Rs 7,500 million. This is expected to be increased to about Rs 9,000 million during the current cooperative year.

One of the major items handled by cooperatives is controlled cloth which is being distributed through a network of more than 46,000 retail outlets out of which about 80 per cent are in rural areas. On an average cooperatives are handling about 30,000 bales of controlled cloth per month. Another significant development in the cooperative sector has been the induction of cooperatives into the supply of essential articles to students hostels in universities and degree colleges. The cooperatives are now catering to about 3,000 hostels involving nearly 240,000 students.

A decline in the average index of wholesale price (point-to-point comparison) was achieved soon after the declaration of the emergency in July 1975. Since then the decline in the price level has progressively increased reaching 7.1 per cent in December, 1975. The falling trend in wholesale prices has also been reflected in retail prices.

The consumer price indices touched a decline of 4.8 per cent for industrial workers and 12 2 per cent for agricultural labourers in November 1975. A welcome feature of this year's performance has been that there was a fall in prices of essential commodities in the loan period (May to October 1975) the wholesaie price indices declined by 0.25 per cent during the period as compared to a rise of about 12.04 per cent and 14.49 per cent in the corresponding periods in the preceding years of 1974 and 1975.

Thus, by all accounts, 1975-76 has been a year of considerable achievement in the industrial field, notwithstanding the fact that certain sections of industry have gone through problems of adjustment as well as problems of decline in demand for their products. The year 1975-76 has also been a year of remarkable achievement in controlling inflation. The success achieved in this field is not only unprecedented in our recent history, but is also unmatched by the current experience of other nations, economically much more fortunately placed than ours.

The table below gives the Industrial Production in the year 1974 and 1975.

Production of industries in 1974 and 1975

Sl. No.	Name of Industry	Accounting Unit	1974			1975			Remarks
			No. of Unit	Installed Capacity	Annual Production	No. of Unit	Installed Capacity	Estimated (Annual) Production	
1	2	3	4	5	6	7	8	9	10
	MECHANICAL AND ENGINEERING INDUSTRIES								
1	Air/Gas Compressors	Nos.	12	13,600	6,590	12	13,600	6,000	
2.	Welding Electrodes	Million Running metres	20	691	394	20	691	400	
3	Steel Wire Ropes	m.t	9	44.340	26,816	9	45,060	27,000	
4	C. I. Spun Pipes	Tonnes	9	4,78,600	2,87,000	9	4,78,600	2,80,000	
5	C.I. Pipes (Sand Cast)	Tonnes	3	56,640	10,100	1	48,000	9,800	Closure of 2 units during most part of the year 1975
6.	Oil Barrels	Tonnes	13	95,872	42,196	16	1,38,878	42,000	

—Contd

1	2	3	4	5	6	7	8	9	10
7.	Small Drums	Tonnes	24	18,159	6,528	24	18,159	5,350	Shortage of indige nous steel/raw materials.
8	Bitumen Drums	Tonnes	4	28,350	15,636	6	34,550	13,250	Do.
9.	Tin Containers (including OTS)	Tonnes	36	98,059	62,000	39	1,11,621	47,500	Shortage of indigenous tin plat as well as restricte import of tin plate.
10.	Aluminium Collapsible Tubes	Million Nos.	7	382.09	278	7	382.09	190	Shortage of indige nous raw-materia viz. aluminium slug
11	Crown Corks	Do.	4	2098.80	946.38	5	2142	385	Shortage of raw material viz ti plate.
12.	R.O. & P.P.	Do.	11	419.70	838.50	11	656.20	715	Shortage of indigenous raw material viz. aluminium.
13.	Aluminium Capsules	Do.	2	286.80	139.20	2	286.80	60	—
14'	Safety Razor Blades	Mill. Nos.	7	2530	911	7	2530	1050	
15.	Sewing Machines	Nos.	5	5,33,500	3,33,000	5	5,33,500	2,85,000	
16'	Typewriters	Nos.	4	86,400	46,000	4	86,400	49,000	
17.	Bicycles	In Lakh Nos.	15	40.19	24.83	15	40.19	20.00	Fall in production during 1975 is due to two units becoming sick and also due to fall in demand.
18.	Bicycle	Rs. in lakh Nos.	56	Since there are a number of parts it is not possible to indicate installed capacity	22.45	56	Same as under Col. 5.	23.56	
19.	Forged & Welded Link Chains	Tonnes	3	4330	1866.5	3	4330	1610	Fall in production due to power cut and and delay in receipt of steel R/M through Canalising Agency
20.	Pipe Fitting	Tonnes	8	14388	2447.81	11	19913	4306	
21.	M.T. Fasteners	Tonnes	13	18146	9111.39	13	18146	8568	Fall in production due to power cut and demand constrain.
22.	M. S. Bolts, Nuts and Rivets	Tonnes	22	51588	27841	22	51588	29493.12	
23.	M. S. Machine Screws	M. Nos.	3	154.2	2	2	154.2	182.50	One unit discontinued production and surrendered the I.D Act lience late i 1974.
24.	Wood Screws	M. Nos.	5	1513.72	1331.39	4	1492.12	1365.38	One unit has continuously suspende production fro 1973 and hence deleted.

—Contd.

2	3	4	5	6	7	8	9	10
LIGHT MECHANICAL INDUSTRIES								
1. Watches	Lakhs pcs	5	16.30	6.84	5	16.30	8.00	
2. Time Pieces	,,	7	16.00	9.50	6	14.36	7.00	One unit manufacturing time pieces has been transferred to SSI.
3. Clocks	Lakhs pcs	6	3.15	1.69	5	3.12	2.00	One unit manufacturing electronic clocks has been transferred to Elect. Dte. of DGTD'
4. Pressure Cookers	'000	2	700	394.65	2	700	400	
5. Cutlery	tonnes	3	520	20	3	530	17	
6. Utensils	,,	22	18962	4348	22	18962	3600	Shortage of brass sheets, aluminium sheets & stainless steel sheets.
7. Hand Sewing Needles	M. Nos.	2	1060	453.943	2	1060	650	
8. Steel Furniture and Security Equipments	Tonnes	12	44833	28649	12	44833	21367	
9. Locks	Nos.	7	3,27,47,990	98,01,053	7	3,27,47,990	1,03,59,000	
PROCESSED FOOD INDUSTRIES								
1. Baby Food	M.T.	10	26,578	11,174	10	29,578	22,500	
2. Milk Powder	,,	13	25,784	12,416	18	37,389	18,000	
3. Condensed Milk	,,	6	13,800	5,783	6	13,800	4,000	
4. Malted Milk Food	,,	8	20,183	15,347	8	20,183	16,500	
5. Cheese	,,	1	500	443	1	5000	450	
6. Weaning & High Protein Food	,,	6	8,951	2,926	6	8,951	5,400	
7. Egg Powder	M.T.	1	300	431	1	300	50	
8. Drinking Chocolate	M.T.	3	1,500	465	3	1,500	200	
9. Chocolate	,,	5	4,410	1,601	5	4,410	1,500	
10. Cocoa Powder	,,	3	642	57	3	642	50	
11. Instant Coffee	,,	2	2,139	1,669	2	2,139	1,350	
12. Instant Tea	,,	2	850	326	2	850	270	
13. Ice Cream	'000 Litre	7	9,490	3,113	7	9,490	3,500	
14. Flour Milling	M.T.	155	4891,294	1746,251	158	4993,284	1474,593	
15. Biscuits	,,	30	104,448	63,303	31	107,448	54,110	
16. Confectionary	,,	22	35,928	16,764	22	35,928	7,120	
17. Bread	,,	16	81,260	80,550	16	81,260	84,957	
18. Aerated Waters	M. Bottls	34	1,731	631	34	1,731	730	
19. Malt Extract	M.T.	2	4,800	3,099	2	4,800	2,600	
20. Meat Products	,,	4	1,600	500	4	1,600	542	
21. Pearl Barley	,,	4	6,589	1,400	4	6,589	1,150	
22. Corn Flakes	,,	3	2,548	325	3	2,548	148	
23. Oat Flakes	,,	1	2,100	20	1	2,100	—	
24. Fruit & Vegetables	M.T.	31	97,869	26,550	31	97,867	24,434	
25. Cottonseed Oil	,,	80	11,69,600 tonnes in terms of cottonseed	52,520 tonnes	86	12,99,600 tonnes in terms of cottonseed	73,000 tonnes	
TIMBER PRODUCTS								
1. Plywood	M.Sq.Mts.	33	43.344	T.3.6 C.32.0 35.6	33	46.788	3.85 27.45	Less construction activities in Private and Public Sector, Slight lull in international market.
2. Particle Board	Tonnes	8	44,900	8,735	8	44,900	6,450	
3. Fibre Board	Tonnes	3	40,500	HB21474 IB1113 22587	3	40,500	18,000 2,200	

—*Contd.*

1	2	3	4	5	6	7	8	9	10
4.	Safety Matches	Million (Boxes of 50 sticks)	5	3950.208	4,367		3950.208	4,000	Strike in four uni out of five units fo a period roughly f 2 to 3½ months.
	ELECTRICAL INDUSTRIES								
1.	Electric Motors	Mill H.P.	35	6.115	3.11	35	6.3928	3.0	Demand has gon down for motors up to 15 HP (i.e. mo tors for Agricultur
2.	G.L.S. Lamps	Mill Nos.	14	166.2	128.9	14	157.57	150.0	
3.	Fluorescent Tubes	Mill Nos.	12	19.567	15.54	10	13.017	17.5	Units since closed.
4.	Miniature Lamps	,,	8	62.30	40.30	9	64.800	40.00	
5.	Electrical Steel Stampings	Mill tonnes	34	90,000	45,000	35	93,00	50,000	
6.	Dry Batteries	Mill No.	11	1,231	631.3	12	1291.0	500.0	Lack of demand.
7.	Storage Batteries	Lakh Nos	7	19.23	13.19	8	20.63	14.00	
8.	Electric Fans	Mill Nos.	16	2.991	2.33	16	2.991	2.40	
9.	Flashlight Cases	Lakh Nos	3	120.8	63.12	3			
10.	Industrial Air-conditioning, Refrigerator and Air Control Equipment	Rs. lakh	25	2,720	1476.04	25	2,720	1143.00	Lack of demand.
11.	Domestic Refrigerators	Numbers	7	1,85,800	1,02,871	7	1,85,800	1,22,331	
12.	Room Air Conditioners	,,	7	44,780	26,702	7	44,780	10,278	Lack of demand
13.	Industrial Cooling Towers	Rs. lakhs	3	370	257.25	3	370	229.29	Lack of demand.
14.	Water Coolers	Nos.	7	9,986	6,245	7	9,986	6,476	Lack of demand.
15.	Industrial Fans and Blowers	Rs. Lakhs	15	NA	25.75	15	NA	440.70	Lack of demand.
16.	ACSR/ARC Conductors	Mill tonnes	44	1,09,625	28,132	44	1,21,115	40,000	
17.	Winding Wires	,,		37,290	17,261	34	39,560	16,000	
18.	PVC/VIR Cables	Mill Core	27	1281.3	449	27	1,281.3	400	
19.	PVC/ILC Power Cables	K.M.	18	23,735	16,002	18	23,735	16,000	
20.	Underground Telephone Cables & Coaxial Cables	K.M.	3	12,900	4,055	3	12,900	7,000	
21.	Graphite Electrodes and Anodes	Tonnes	2	10,850	7,645	2	10,850	8,206	
22.	Carbon Blocks (Metallic Grade)	,,	1	80	57.5	1	80	35.00	
23.	Cinema Arc Carbons	Mill Pairs	4	18	8,236	4	18	10,294	
24.	Midget Electrodes	Mill Nos.	2	475	291.2	2	475	296.00	
	RUBBER GOODS INDUSTRY								
1.	Automobile Tyres	Lakh Nos.	10	62.81	53.95	13	66.25	60.00	
2.	Automobile Tubes	,,	10	59.91	47.11	13	—	47.60	
3.	Bicycle Tyres	Mill Nos.	20	32.39	25.96	0	32.39	28.50	
4.	Bicycle Tubes	,,	20	32.50	19.38	20	32.50	19.65	
5.	Conveyor Belts	M. Tons	5	4,810	3,974	5	4,810	4.715	
6.	Fan & V Belts	Lakh Nos	9	74.21	67.96	9	74.21	68.65	
7.	Reclaimed Rubber	M. Tons	6	16,820	16,693	8	2,420	17,000	
8.	Hoses	Mill Mts.	9	6.85	4.98	9	6.85	5.06	
9.	Synthetic Rubber Cots	Lakh Mts.	7	7.44	3.18	7	7.44	4.37	
10.	Synthetic Rubber Aprons	Lakh Mts	7	7.09	4.07	7	7.09	5.22	

—*Contd.*

2	3	4	5	6	7	8	9	10
LEATHER AND LEATHER GOODS								
1. Vegetable Tanning Hides	Cow Hides	10	22,11,992	8,72,172	10	22,11,992	12,04,452	
2. Chrome Tanning Hides	,,	12	24,86,000	18,81,018	12	24,86,000	15,60,012	
3. Western Type of Leather Footwear	Pairs	8	1,38,47,000	69,46,408	7	1,35,62,000	87,92,297	
4. Indian Type of Leather Footwear	,,	6	94,67,000	69,54,525	6	94,67,000	65,00,000	
5. Picking Bands	Kgs.	4	5,01,360	96,426	4	5,01,360	85,152	
6. Leather Belting	,,	4	2,10,000	64,603	4	2,10,000	73,421	
7. Glue	Tonnes	2	2,820	2366.13	3	3,320	1,403	
8. Myrobalan Extract	Tonnes	2	7,704	1423.83	2	7,704	846	
9. Cotton & Hair Belting	Tonnes	2	216	20.68	2	216	29	
CEMENT								
1. Cement	Mill	51	19.86	14.32	54	21.161	16.00	Increase in production during 1975 over 1974 is due to : (a) Additional capacity installed. (b) Improvement of coal supply & wagon movement. (c) Restoration of power cut.
2. AC Sheet and Accessories	Tonnes	11	6,37,000	3,63, 268	11	6,37,000	3,70,000	
3. Asbestos Cement Pressure Pipes	,,			60,122			67,596	
4. Asbestos Textiles Products (Packing Yarn & Mattresses)	,,		2,032	1,822	4	2,532	25,100	
5. Asbestos Jointings and Limpet Sheets	,,	5	4,350	3,330	5	4,350	3,200	
6. Asbestos Mill Board	,,	1	500	625	1	500	487	
7. Ferrobestos Sheets	,,	1	100	45	1	100	44	
8. Profax/Fabrax	,,	1	2,000	506	1	2,000	575	
CERAMICS								
1. Glazed Tiles	,,	5	42,020	29,138	5	42,020	21,000	Less production due to closure of a major unit.
2. H. T. Insulators	,,	7	21,510	15,754	7	26,200	16,500	
3. L.T. Insulators	,,	14	8,800	3,011	14	8,800	3,950	
4. Stoneware Pipes	,,	13	76,464	45,956	13	76,464	45,500	
5. Stoneware Jars	,,	8	8,546	6,376	8	8,546	7,000	
6. Sanitaryware	,,	9	18,170	16,688	9	20,630	21,500	
7. Crockery	Tonnes	17	29,340	22,262	17	29,340	16,500	Low production due to closure of a major unit.
8. Synthetic Stones	Kg.	1	21,600	11,419	1	21,600	8,900	Power Cut.
9. Frits.	Tonne	1	4,020	1,748	1	4,020	1,350	Labour trouble.
10. Ceramic Colours	Tonnes	1	60	40	1	60	30	Labour trouble,
11. Enamelware	Th. Pcs	7	30,030	21,257	7	30,030	14,450	Two units have suspended production,
GLASS								
1. Bottles & Vials (including semi-automatic).	Tonnes	26	2,81,000	2,02,786	28	3,03,634	2,18,000	
2. Sheet Glass	Mill Sqm.	6	22.00	14.7	6	22.00	16.00	Lockout in the factory of M/s. U.P. Glass since Feb. 1975
3. Glass Shells	M. Pcs.	7	170	142.5	7	170	143.00	—
4. Vacuum Flasks	,,	3	4.5	5.7	3	4.5	6.0	—
5. Laboratory Glasswares	Tonnes	1	7,200	2,071	1	7,200	1,800	The factory was closed for repairs of furnace.

—*Contd.*

1	2	3	4	5	6	7	8	9	10
				CHEMICALS					
1.	Oxygen Gas	Million Cu. Mts.	64	85.167	60.558	76	92.844	60.00	44.563*
2.	Dissolved Acetylene	,,	42	14.419	5.70	42	14.419	7.00	5.128*
3.	Calcium Carbide	Tonnes	5	73,700	70,200	6	88,550	75,000	One unit has g in production.
4.	Aluminium	Tonnes	2	2,400	2,872	3	4,040	2,800	A new unit has go only for trial p duction from Ju 1975. Hence th is small increase production.
5.	Synthetic Cryolite	,,	5	5,490	4,641	6	6,990	4,900	Slight increase per demand.
6.	Borax and Boric Acid	,,	1	17,000	12,631	1	17,000	12,000	It was low due to n availability of r materials in tim Factory was clos for a number of tim
				3,000	2,219		3,000	2,000	
7.	Potassium Chlorate	,,	3	6,174	5,517	4	7,999	5,800	A new unit has go in production fro July, 1975.
8.	Red Phosphorus	,,	1	480	242	2	900	600	
9.	Industrial Explosives	Tonnes	2	43,000	37,000	2	43,000	47,000	34,813*
10.	Calcined Petroleum Coke	Tonnes	3	1,26,000	94,179	3	1,26,000	98,476	—
11.	Calcined Anthracite Coal	Tonnes	1	4,000	Nil	1	4,000	Nil	—
12.	Formaldehyde	M.T.	8	69,300	31,057	9	99,700	25,500	—
13.	Carbon Black	Tonnes	2	71,700	51,284	2	71,700	415**	
				SALT					
1.	Salt	Thousand Metric Tonnes	284	10,000.00	5912.9	230	10,000.00	7225.0	The number of uni have reduced owi to grouping of unit
				NEWSPRINT					
1.	Newsprint	Tonnes	1	57,500	54,004	1	67,500	54,000	†
				PAPER AND PAPER BOARD					
1.	Paper & Paper Board	Lakh Tonnes	68	9.92	8.37	74	10.40	8.50	There is only a ma ginal increase production.
				MISCELLANEOUS INDUSTRIES					
1.	Starch	M.T.	9	1,68,600	89,782	9	1,68,600	75,000	
2.	Liquid Glucose	,,	7	80,000	24,413	7	80,000	23,000	
3.	Dextrose	,,	2	30,600	10,037	2	30,600	11,500	
4.	Enzymes	,,	1	7,300	500	1	7,300	300	
5.	Cigarettes	M. Pcs.	16	67,408	65,874	17	72,088	59,674	
6.	Guar Gum	M.T.	5	26,100	16,309	5	26,100	17,075	
7.	Sorbitol & Mannitol	M.T.	1	2,250	1,131	1	2,250	1,261	
8.	Filter Rods for Cigarettes	M.Pcs.	2	1,800	1,626	3	2,700	1,721	
9.	Solvent Extracted Oil	M.T.	113	25,306 Lakh tonnes in terms of oil cakes/rice bran.	90,000 tonnes	126	28,31,600 in terms of oil cakes/ rice bran.	1,00,000	[illegible]

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*Actual production upto September, 1975 **January to November, 1975

†The mills achieved a production of 31,336 MT of newsprint upto 31-10-74. The production in the current year up 30-10-75 has been 29718 MT. The production was less by 1518 MT during the current year upto 31-10-1975 as compar to the corresponding period of the previous year on account of the following reasons : (i) Production suffered to a gr extent due to the shortage in steam supply from the MPEB Chandni Power Station on accout of reported bad qual for coal received by them and also due to power trippings/voltage dips from the MPEB power grid. (ii) Producti suffered also due to teething troubles with the newly commissioned Bomboo Sulphate and Cold Soda plants and d to serious defects and deficiencies of the equipments supplied by M/s. Utkal Machinery Ltd. in these plants.

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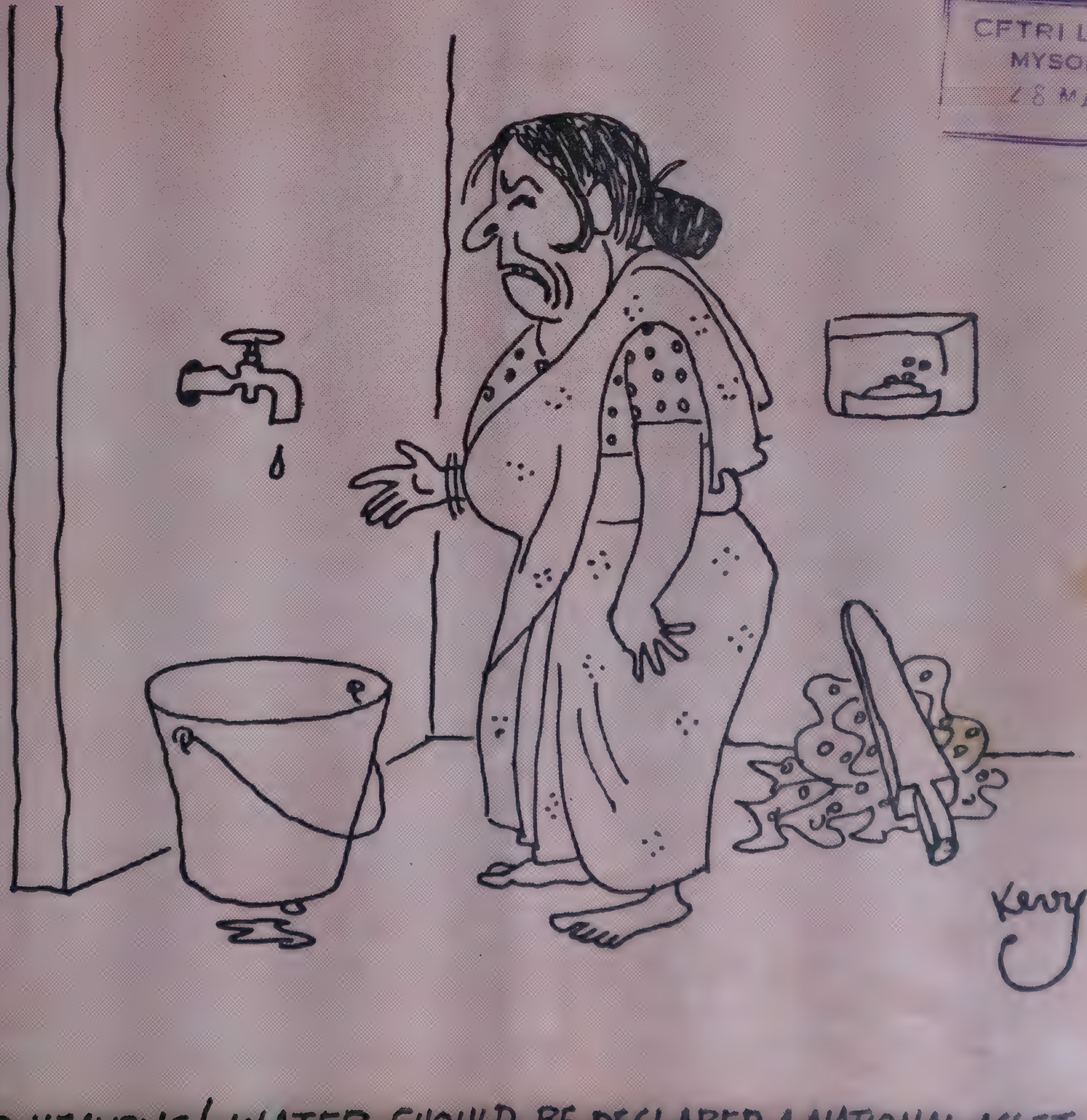

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eading Articles

vival of the Simla Spirit 1105
t Time to Review the Credit licy ? 1106
isis in Jute Industry 1108
nsumption Credit for Weaker ections 1109
eclining Demand for Paper 1111
apital's Corridors 1113

oint of View

rbanisation in India in 2000 AD
-Rashmi Mayur 1116
oads and Road Transport
-Badar Alam Iqbal 1123
romoting Marine Fisheries
-K.M. Pathusha 1124

Vindow on the World

ly Dear Hennessy... — V. B. 1127
low Exchange Rates are Set
— Jossleyn Hennessy 1128
earch for an Agreement
—E.B Brook 1132
Romania and the Third World
—P. Ionescu 1133
Trade Winds
Indo-Pakistan Accord; Tariff Preferences to UK Withdrawn; Rupee-Rouble Rate; IMF Gold Auction from June 2; IBRD Raises Interest Rate; Indo-Iranian Cooperation; Telecom Rate for W. Asia Revised; Debt Relief to States; Govt. Directors for Bird & Co.; Modernisation of Sick Units; Study Panel for Backward Areas; Development of Sikkim; Effect of Interest Rates on Bank Credit; ARDC Bonds; Export of Steel Plates; Rourkela Exceeds Targets; Silver Eveready; Names in the News 1135-38
Company Affairs
Indian Overseas Bank; Phillips India; Polyolefins Industry; TIIC; Elgin Mills; Syndicate Bank; Hoechst; News and Notes; New Issues; New Registration; Dividends 1139-42

Records and Statistics

Annual Report of Department of Food 1144
Rs 9.9 Crores Further Relief to Industry 1149
List of Existing Paper Mills as on April 1, 1976 1153

Revival of the Simla spirit

AFTER MORE than four years, the clouds which had shrouded Indo-Pak relationship have now slowly thinned away. The recent decision of both the countries to restore rail, road and air links, and to exchange ambassadors revived memories of the historic meeting between the prime ministers of both the countries at Simla where a new spirit of friendship and amity had prevailed. Perhaps it was unnecessary at this stage to go into the reasons of the long delay in the revival of the Simla spirit. Let us hope that the process of normalisation of relations between the two countries will be carried forward so as to increase the flow of men and materials across the border and renew the cultural and economic ties which had been snapped in the wake of the Bangladesh conflict.

A major irritant had been Pakistan's refusal to withdraw its complaint to the International Civil Aviation Organization (ICAO) regarding this country's denial to it of the right to overfly its territory. It may be recalled that our government had no option but to take this extreme step after the hijacking of an Indian Airlines Fokker and its destruction at the Lahore airport by the hijackers in a ceremonial manner. In fact, this country had lodged a counter-complaint with the ICAO claiming compensation from Pakistan for the plane which had been hijacked and destroyed. With the simultaneous withdrawal of the complaints by both the countries and the restoration of links, it is now anticipated that a new era of "durable peace" may ensue leading to increased trade benefiting the economies of both the countries.

The essence of the Simla agreement was the realisation by both the countries that all problems could best be settled bilaterally and that a third party could hardly be useful in this regard. The three-day face-to-face discussions at Islamabad between Mr Jagat Mehta and Mr Aga Shahi, Foreign secretaries of India and Pakistan respectively, proved fruitful also because the governments of the two countries were psychologically tuned to the restoration of normal relations. Time is a great healer of wounds and what happened in 1971 has now receded to the lower layers of the human consciousness. The government in Pakistan was, in all probability, waiting for a point of time when it could extend to India its hand of friendship without raising a storm at home. With Pakistan's economy doing moderately well and political discontent at a low ebb, the moment of honouring the pledge made at Simla had arrived—and Mr Bhutto nodded his head to record his assent.

There is a feeling in our country that the long delay in the normalisation of relations between the two countries is due to Pakistan's anxiety to re-arm itself so as to make up for the losses sustained in the Bangladesh war. While this country proved both in 1965 and 1971 that it had no ambition to annex any of Pakistan's territory and it promptly returned all areas seized in both these conflicts, Pakistan's refusal to have faith in India was indeed regrettable. In fact, our government has repeatedly offered to sign a no-war pact with Pakistan and it is the government in Islamabad which has refused to enter into such an arrangement. Be that as it may, this country does not want a weak Pakistan which again could be a threat to the peace of the sub-continent. In the new atmosphere of good neighbourliness, the two countries had better take such economic, cultural and scientific measures as would enrich the lives of the peoples of the two countries.

Not unexpectedly, the trading communities (of both the countries) see in the new agreement a fresh hope of hastening the pace of exchanging goods and services between the two countries. The economies of the two countries are complementary and can be of considerable benefit to each other. Pakistan is in need of many of the manufactured goods which it can have cheap and easily from India; similarly, our country can also import a number of commodities from Pakistan obviating unnecessary delay due to imports from far off lands. It is high time that the Commerce ministries of the two countries work out a programme of consultation expeditiously and draw up a trade plan which raises production levels and generates employment opportunities in both the countries. Given the necessary goodwill, this task should not prove difficult.

This is not to deny the fact that negative forces operating for more than a decade in Pakistan have spread ill will and hatred against India. The publicity media particularly will have to play a dynamic role in rooting out all the poison which has been injected into the minds of the people. By and large, the press as well as the radio in our country has operated in a responsible manner. It is the Pakistan government which will have to be vigilant in controlling the activities of the fire-eaters of the press in that country.

Is it time to review credit policy ?

THE RESERVE Bank's decision to continue the credit policy adumbrated in 1974 without any major change and even with a stiffening of the procedures for securing refinance facilities by the scheduled commercial banks has been taken after the Governor had discussions with the chief executives of major nationalised banks. It is probably felt that nothing more can be done nor is it desirable in respect of a lowering of lending rates by member banks and that creation of credit by Reserve Bank should be restricted as far as possible by indirectly compelling the scheduled commercial banks to utilise a larger proportion of their own funds for expanding food credit and extending loans to borrowers in the priority sectors. With an increase in wholesale prices in April by 2.4 per cent and the necessity to regulate the flow of credit sectorally for productive purposes, there has to be no relaxation of the curbs on fresh lending to industry and trade.

There can be no quarrel over the decision to have effective credit planning and control the maintenance of inventories by industrial units in the public and private sectors. The new attempt to introduce quarterly credit planning and call for data every month regarding the sectoral flow of funds should certainly be helpful in bringing about a better disposition of available resources and extension of credit to deserving borrowers in need. The assurance has also been given that credit will not be denied for boosting production in the agricultural and industrial sectors. But the trouble has arisen over the interpretation of data and a proper understanding of the factors that have been responsible for a faster growth in non-food credit latterly.

The intensification of procurement operations by the Food Corporation and the other state agencies, have also been responsible for the immobilisation of sizeable funds in buffer stock and if the latest reports are any guide a continuing rise under this head may result ultimately in food credit alone accounting for as much as 15 per cent of aggregate advances. The support operations in respect of groundnut a
the monopoly procurement sche
relating to cotton should also ha
resulted in a significant increase in a
vances. As there has also been
increase in inventories of import
steel, non-ferrous metals and fertilis
due to heavy purchases and an increa
in internal production, a careful st
dy has to be made of the character
increase in advances and find out wh
ther recessionary trends in tyre, aut
mobile and textile industries and increa
in the output of the power-intensi
industries with a larger supply of ele
tricity have also resulted in increase
inventories of finished goods wi
the trading corporations and the indu
trial units concerned.

The new procedure for collectin
data regarding the sectoral flow
funds should be helpful in analysin
more clearly the factors that brough
about an unusual demand for funds eve
with a fairly stable level of prices and
strict application of the norms lai
down by the Tandon Committee.

buyers' market

It will not however be incorrect to say that there is no great anxiety on the part of borrowers to maintain inventory as the emergence of buyers' market conditions and the downward trends in the prices of imported items have discouraged building up of stocks, especially as profit margins have been seriously eroded by rigidity in costs, higher electricity charges and a heavy interest burden. There is naturally disappointment in industrial circles over the decision of the Reserve Bank to continue the dear money policy. The monetary authorities may not perhaps be immediately prepared to reduce the Bank rate. There is no reason why there cannot be a further decline in lending rates particularly as the working results of major nationalised banks for 1975 indicate that net earnings have been quite flattering and it has been possible for many institutions to strengthen considerably ner reserves and transfer larger nounts also to published reserves after aking available a larger share of the rplus to the central government.

The results of all banks for the past ear are not available but there is mple evidence to suggest that the new ffices opened since nationalisation of najor banks have started functioning n a profitable basis. In some instances, hey have been useful in mobilising nore than 25 per cent of the aggregate leposits. It has also been claimed that he credit-deposit ratio of rural banks has improved substantially and some banks have succeeded in having a ratio even in excess of 100 per cent, necessitating the flow of funds from the urban to rural areas. It was complained not long ago that a low credit-deposit ratio of branches in the interior areas was resulting in an outflow of funds to the urban areas with its consequent debilitating effects on the rural economy. As full use for available funds is assured and there is also an upsurge in deposits it should be re-examined how lending rates can be reduced and borrowing for essential purposes made less costly.

high profitability

A rough analysis shows that even with a record growth in deposits in 1975 the ratio of gross income to aggregate deposits has tended to increase rather than decline. In view of the fact that there has been no proportionate increase in working expenses and, indeed savings in some directions with a reduction in bonus to employees and no increase in dearness allowances, the profitability of working of banks in 1976 will be high with its detrimental effects on the ability of borrowers to service their obligations. Even a reduction of one per cent in average lending rates can be afforded by many institutions and there is ample evidence to show that interest burden has increased inordinately on industrial units. Many have suffered a sharp decline in net earnings after depreciation and interest charges even with an increase in the turnover. This aspect of the question has therefore to be carefully examined and redress should be given to borrowers wherever possible, keeping an effective check all the time on the quantum of credit made available to them.

The experience of the last busy season has not been exciting as no unusual developments were witnessed even during February and March. A big increase in deposits of the scheduled commercial banks between October 31, 1975 and April 30, 1976 by Rs 1,217.68 crores to Rs 14,388.91 crores greatly facilitated the operations, and borrowings from the central banking institution by these banks had to be resorted to mainly for financing procurement purchases of the Food Corporation of India and other agencies. The increase in deposits in 1974-75 busy season was only Rs 762.48 crores. It is true that the expansion of credit in 1975-76 busy season was on an unprecedented scale, aggregrate advances rising by Rs 1,758.09 crores to Rs 11,058.67 crores, as against only Rs 971.48 crores in the previous season. But the big rise in the six months ended April 1976 was mainly due to the spurt in food credit to Rs 1,615.42 crores from Rs 741.14 crores or Rs 874.28 crores against only Rs 342.83 crores in 1974-75. The increase in non-food credit also was greater at Rs 883.81 crores against Rs 628.65 crores. But, as stated earlier, the bulge was due to an accumulation of stocks of finished goods with some industries and larger imports and there were no attempts to build up inventories. The borrowing from the Reserve Bank rose substantially by Rs 627.44 crores against Rs 277.32 crores. Allowing for the spurt in the last week of the season of about Rs 150 crores for technical reasons, the net increase in borrowing in 1975-76 was only Rs 477 crores. But for the heavy expansion of food credit, which cannot be considered undesirable in any sense, banks would have had a problem of lending their resources.

The outlook for the slack season can be considered quite encouraging. It can be safely expected that fresh additions to deposits will be over Rs 1500 crores and even with an increase in advances by Rs 1,000 crores including procurement credit of an additional

MYSORE·2A

Eastern Economist 30 Years Ago

MAY 24, 1946

Thus Indian stakes in Burma's rice trade are high. But it was not only a question of profit-making that led the former rice merchants clamour for a return to the pre-war days once Burma had been reconquered. They alone had the specialist knowledge and the willingness to work to rehabilitate Burmese rice economy, severely dislocated by the war. The Burma government itself anxious to rehabilitate the rice industry, recognized the great part the Indian rice merchants in Burma could play in that connection. Mr Odell, Chairman of the Agricultural Projects Board, which was set up to be in sole charge of the reconstruction of this, Burma's premier industry, in a letter to the Burma—Indian Chamber of Commerce, in August last recognized that the Board was very conscious of the extent to which it will require to evoke the goodwill and cooperation of the members of the Burma Indian community whose experience and interest are so considerably linked up with the Board'sactivities. The letter also held out the assurance that "the declared aim of the project is a return to the normalities of competitive business as soon as this is feasible and the controls which it is proposed to assume are designed only to ensure that this returning is achieved smoothly and with fairness to all interests normally participating".

Rs 700 crores, banks will not have any difficulty in lending good support to the borrowing programme of the central and state governments and public bodies. It will of course not be possible to reduce borrowing from the Reserve Bank significantly. Indeed these may tend to rise in the coming months and it may be feasible to reduce them to the level of April in later months with a tapering off of procurement purchases and an assertion of slack season trends. In view of improving profitability of banks and the oppressive burden of interest rates, there should be no hesitation to reorientate the structure of lending rates when the Reserve Bank will be reviewing again the credit situation by the end of June.

Crisis in jute industy

"THE JUTE industry today stands face to face with ruin", said the Indian Jute Mills Association (IJMA) in a press note issued on May 7, 1976. Only three weeks earlier, the government had set up a Jute Manufactures Development Council in order to ensure the orderly growth of the industry. But the fact that so soon after the formation of the Council, the IJMA should speak of the prospect of the industry being ruined seems to show that it has no confidence in the ability of the Council to tackle its major problems. There has been recently a great deal of talk of preventive measures being taken to avoid the sickness of industrial units. It has been suggested that the banks and the other financial institutions should give warning signals of the impending sickness of an industry so that timely and appropriate action can be taken by the authorities. This seems to be a sensible suggestion.

The jute industry had been sounding its warning signals for the past several years. The industry has been carrying and financing "an unjustifiably heavy goods inventory with high-cost credit". The IJMA's press note said: "A situation such as this would not have arisen at all had the industry's warning about the developing raw jute shortage and a supply-demand imbalance of jute goods been heeded. That much of the industry's output would be unsaleable had been forecast long time back. Should the industry continue its present volume of output, despite the deepening demand recession, there is every possibility of a monthly accretion to stocks of the order of 10,000 tonnes. The clear overproduction of jute goods in the context of the approaching jute famine would be nothing short of suicide by the industry". That the industry is not at all exaggerating will be clear from the fact that ten mills have already closed.

a major point

Mr B.G. Bangur, the chairman of the IJMA and other leaders of the industry, including Mr S.S. Kanoria, a former president of the Federation of Indian Chambers of Commerce and Industry, addressed a press conference in Calcutta on May 7, 1976 at which they described the plight of the industry and urged for immediate action by the government. A major point emphasised by them was the acute shortage of credit. Mr Bangur said that the industry was virtually "starved of finance" and that against its current need of about Rs 200 crores, the finance it actually got seldom exceeded Rs 100 crores. He added that the "very high interest rates in addition to stiff margins on bank credit are proving most unhelpful".

What has the Reserve Bank got to say about this complaint? Mr K.R. Puri, Governor of the Reserve Bank, has been saying that credit will always be provided for productive purpos Similar statements have also been ma by Mr C. Subramaniam, the uni Finance minister, and Mr Pran Mukherjee, the minister of state Revenue and Banking. It is significa that the Bose-Mullick Committee also reported to have concluded tha severe shortage of working capital the main reason for many jute mi falling sick. The government of Ind should take immediate action provide the industry with adequa credit lest the situation should aggr vate in the coming weeks.

unrealistic demand

Mr S.S. Kanoria told the pre conference that if the jute industr was given facilities similar to thos enjoyed by the cotton textile, sugar an a few engineering industries, it woul be possible to recapture its lost marke But the problems and prospects of th jute industry are quite different fro those of others and therefore it seem unrealistic to ask for the same kind o incentives. The government howeve should sympathetically examine th industry's case for suitable assistanc in view of the increasing competitio from synthetics and from Dacca Meanwhile, New Delhi should modif its purchase policy so that the industr will be able to recoup some of th losses it incurs on its sales in foreig markets.

For the past many years, the indus try has been complaining about th unremunerative prices it has bee offered by the Directorate General o Supplies and Disposals (DGS&D It is estimated to have lost Rs 2 crores on its sale of B-Twill bag between 1970 and 1974 because th price paid was not only much belo the ruling market levels but was als inadequate to cover the cost of produ tion. The IJMA's press note of May said: "The DGS&D, to take advanta of the lower market price at the tim failed to lift as much as 28,000 tonn out of the 80,000 tonnes of sackin gs it had agreed to buy from the lustry during May-September 1975 a negotiated price. The industry was ereby put to a severe financial loss its production had already been ared up to meet the government's quirement, in addition to the fact at the failure to lift the stipulated uantity at the bright time had a evere depressive effect on prices. The urchasing policy currently being ursued by the DGS&D is more amaging. It has been floating spot enders without mentioning quantity nd often does not make the purhases after receiving offers from nills. This practice inevitably encourages speculative activities, causing sudden and temporary rise and fall of he market. Distress sales by mills are very common these days. Occasions therefore arise when the DGS&D tries to cash in by lifting a great deal more goods than asked for in the tender".

If what the IJMA says is true, it is really a serious matter. The DGS&D is expected to implement its purchase policy in such a way that while getting the supplies at fair prices it does not harm the interests of industries or encourage speculative activities.

disturbing development

Another disturbing development has been the increasing popularity of synthetic bags for packing purposes in India. The Food Corporation of India is said to be considering the adoption of bulk methods of handling and storage of foodgrains. Fertiliser manufacturers have been resorting to the use of synthetic bags. "The fact remains", says the IJMA, "that synthetics have already cut deep into jute's preserves and the threat to this natural fibre in the Indian internal market is real indeed". But has the industry examined in what manner it can meet the challenge from synthetics in the domestic markets? The IJMA's press note referred to the undermining of the confidence of overseas consumers. But will not the IJMA itself be unwittingly adding to this loss of confidence by proclaiming publicly that the industry is standing "face to face with ruin" and that it is heading towards "suicide"?

Consumption credit for weaker sections

THE EXPERT Committee on Consumption Credit set up in March by the government of India under the chairmanship of Mr B. Sivaraman, Member, Planning Commission, to study the impact of debt redemption on landless labour and marginal farmers and suggest the agencies which could substitute the village money-lender, has submitted its report with remarkable expedition.

Until recently (before debt relief measures were taken by the government) consumption credit requirements of the landless poor or even those with tangible security were met by the village money-lender or the rich peasant. Financial institutions did not encourage loans for consumption purposes mainly because they did not have the requisite infrastructure for the recovery of such loans. While credit was to be advanced in lumpsum, recovery had to be in instalments over a period. Even primary agricultural credit societies did not provide loans for such purposes as funerals, marriages or other social obligations. Commercial banks, when they started operations in a limited way in the rural areas, were not normally supposed to provide consumption credit. State governments off and on did provide taccavi loans in certain circumstances such as natural calamities, but these were generally granted for the purposes of improvement of land or agricultural practices. These loans, in any case, left out altogether the agricultural labourer or the village artisan. The villagers in all eventualities had to resort to the local money-lender who was always ready to extend money on his own terms.

These terms however were not only usurious but generally rapacious. Out of the Rs 340 crores, estimated by the expert committee, as outstanding with the lendless and the marginal farmer, not even half that amount could be termed as genuine borrowing as the money-lender had never allowed his capital to be shown as paid.

One of the 20 points of the prime minister's economic programme concerns the amelioration of the lot of the rural poor and freeing them from the burden of unjust debts accumulated over the generations. The guidelines issued to the state governments to discharge the debts of the landless and the marginal farmers and scaling down the loans incurred by farmers holding 2.5 to 5 acres of land could not be effected without due process of legislation. The state governments had, therefore, to order a moratorium on recovery of these debts. Though a laudable step, this measure dried up all sources of credit to farm labourers as well as the marginal farmers with consequent hardships to this section of the rural community.

On the basis of the All-India Debt and Investment Survey conducted in 1971-72, the Sivaraman Committee has calculated that the landless and those holding up to 0.50 acre required consumption loans amounting to Rs 340 crores and the requirements of the people with holdings above 0.50

acre and up to 5 acres would be another Rs 250 crores. The Sivaraman Committee considered these amounts inflated, and estimated the amount that would be required for meeting the consumption needs for the first category (the landless and those owning up to 0.5 acre of land) at Rs 170 crores, and households owning land above 0.50 acre and up to 5 acres would be requiring Rs 125 crores as consumption credit instead of Rs 250 crores calculated by the Debt and Investment Committee. The committee did not recommend any measures to cater for the needs of this second category but felt that this class of borrowers could be taken care of by production credit available to them though commercial & co-operative banks which had an inbuilt element of consumption credit.

below poverty line

There is no doubt that, in percentage terms, rural poverty has diminished over the years. Yet with escalating population the number of people living below the poverty line has at the same time increased. The landless need loans during lean periods for food and clothing. The subsistence farmers as well as tenant farmers also require credit at this time which they repay, in cash or kind, after harvesting. Both those categories are also in need of money when illness overtakes a member of the family and for funeral or marriage purposes. These loan requirements, by their very nature, cannot on most occasions await formalities such as sanctions from the headquarters of the credit institutions. The money-lender was available on all days and at all hours of the day. The system that will replace the money lender too should be capable of working with extra expedition and minimum of formalities.

The Sivaraman committee has come to the conclusion that there are mainly two agencies which can cater for such exigencies and these are the primary agricultural credit societies which can disburse up to Rs 70 crores, constituted as they are at the present, and the other Rs 100 crores of the requirements can be apportioned to the revenue and other administrative departments by the respective state governments for disbursement. As for the tribal areas, the committee believes that the network of strong and viable Large-sized Multi-purpose Co-operative Societies (LAMPS), recommended by the expert committee (Bawa Committee) set up by the government of India should be established. It feels that the system of fair price shops which sell food articles, salt, oil, clothes etc in exchange of minor forest produce should for the moment help these tribals till the multipurpose cooperatives envisaged by the Bawa Committee are widely established.

The main emphasis of the Sivaraman committee is on the strengthening of the primary co-operative structure. It has advised the state governments to take measures within two months to reorganise these cooperatives into viable units and arrange that these societies have whole-time secretaries or directors to conduct their affairs in a systematic manner. The committee suggests that only those societies that have this facility should be entrusted with the job of dispensing credit.

strengthening cooperatives

During the last two years the state governments have taken various steps to strengthen the co-operative movements at the base level. These societies need an overhaul not only for purveying credit but also for the promotion of the general well-being of rural India. To the extent state governments are successful in organising the cooperative structure, to that extent will they be able to implement the policy decisions in favour of weaker sections of the village population taken by the central government.

However, considering the co-operative societies as they are at present run, the Sivaraman committee's hopes their being effective media for purveying credit to the weaker secti seems to be sanguine. These co-ope tives are at the moment under thumb of the very people that they intended to liquidate or replace. R peasants, money lenders in vario garbs and local revenue officials ha joined hands in effectively controlli these cooperatives and running th for their own benefit. Unless whole cooperative system is overhaul to keep these predatory elements o it will be difficult to reach the requir credit into the hands of those whom it is meant.

universal membership

The Reserve Bank has done well advocating universal membership co-operatives so that all those wh require credit, be it for consumpti purposes or production, could jo them and avail themselves of the facilities. Very recently the Reser Bank has allowed central co-operati banks all over the country to advan loans within certain limits to individua against gold and silver ornaments. Th will benefit mainly that category who the Sivaraman committee has kept o of the purview of consumption loan This category which owns between 0 and 5 acres of land can muster son ornaments for pledging against consum tion loans.

Obviously much organisational wo remains to be done before the weak sections of our rural population a really freed from the clutches of t money-lenders. This is true particular of the tribal areas, where the Sivar man committee itself has admitte interest rates range from 100 to 3 per cent. In the absence of t alternative institutional arrangemen these wily money-lenders in their i imitable ways will enter the field aga and frustrate government attempts the amelioration of the condition of t rural population and the regenerati of the village economy.

Declining demand for paper

MOVING the Finance Bill for taxation roposals for 1976-77, the Finance minister, Mr C. Subramaniam, announced a relief of Rs. 3.65 crores in the orm of reduced duty from 25 per cent o 15 per cent on certain varieties of reamlaid and creamwove paper not exceeding 65 grams per sq metre. This concession will only partially cheer the industry, because 1976 was hardly the year for the imposition of increased rates of duty on paper. Even before this increase in duty proposed in the budget for 1976-77, the paper industry was experiencing a crisis of demand recession. The burden of accumulated stocks due to falling demand was so large on some of the mills that they were forced to unload their products in the market at discount rates. The proposed imposition of ad valorem rates of excise replacing the specific duty has threatened to increase the price for the common varieties of paper by as much as Rs 775 per tonne. The concession announced by the Finance minister, which applies to only a few varieties of paper, therefore, will not be sufficient to provide a cushion to the industry against the adverse effect of the overall increased rate of duty.

The output of paper declined during 1975 to 829,000 tonnes against 837,000 tonnes a year before. This marginal decline in overall figures conceals the fact that there was a sharp fall of 15 per cent in the production of wrapping and packaging paper and paper board from 325,000 tonnes in 1974 to 278,000 tonnes in 1975. This shortfall was apparently caused by a decline in the demand for packaging paper and paper board because several consumers had shifted to alternate packaging materials. For instance, cigarette manufacturers have turned to substitutes instead of using duplex paper. Even the garments industry seemed to prefer polythene covers instead of craft paper for packaging. Several other consumers of paper board such as pharmaceutical industry and automobile ancillary industry have reduced their consumption of packing paper.

During the recent meetings of the Development Council for Paper, Pulp and Allied Industries, the industry had proposed to achieve a target of 900,000 tonnes during 1975. A detailed study of the working of the paper mills during the year reveals that a majority of the mills producing writing and printing paper had achieved a capacity utilisation of 80 to 85 per cent and some of them went up to 90 per cent, which is optimum for this industry. Only some of the small mills recorded a fall in capacity utilisation. The net result, however, was that the output of printing and writing paper during the year 1975 crossed the 500,000 tonne mark as against an output of 482,000 tonnes during 1974. Evidently, the industry has tried to resist the adverse impact of the current reduction in demand by increasing inventories. As soon as signs of a revival in demand appear, the industry is capable of adding another 20,000 tonnes without much difficulty. Consequently, the case of the industry in favour of complete removal of additions to the excise duty needs to to considered again.

The installed capacity for paper and paper boards which is around 1.10 million tonnes per year is likely to go up to nearly 1.25 million tonnes by the end of 1978-79. This does not include those schemes which are making progress but are not likely to start production by 1978-79. Assuming an optimum utilisation of 85 per cent for the industry as a whole, the output in 1978-79 from an envisaged 1.25 million tonnes might be of the order of one million tonnes. In other words the existing capacity and the additional capacity in the pipeline would just be able to meet the domestic demand. This, however, is considerably lower than the output recommended by the task force set up by the Planning Commission which had projected the demand for paper and paper boards at 1.33 million tonnes by 1978-79.

development council

This is a situation which demands great caution. Evidently a scaling down of paper consumption is a retrogressive step because every increase in the use of paper signifies an improvement in the fields of communication and education. The constitution of a subcommittee by the Development Council for Paper and Allied Industries to assess the causes for under-utilisation of capacity by various paper mills is likely to yield some useful evidence.

It can be argued that the paper manufacturers should try to improve their efficiency of operations and achieve a reduction in cost of production. In actual practice, however, the cost of production of the newly established units, or those that are now in the process of being set up, is showing a rising trend due to the in creased cost of equipment. Under these circumstances, this country to should try to avoid a situation. where a spurt in demand for paper may again revive the era of shortages of paper. It would therefore, be advisable to take such measures as would ensure the establishment of new units to yield a rise in the annual installed capacity of seven to nine per cent.

It is significant to add that paper and pulp industry has largely relied upon imported know-how and not much work has been done in solving the problems of technological nature as they emerge in the working of the industry. The new processes and plants based on imported know-how are not always suitable to conditions and raw materials in our own country. The establishment of the proposed paper and pulp research institute should be accelerated.

The world had nothing before it got zero

India introduced the concept. The Sanskrit name for the figure was Śūnya meaning void. India was the first to use it in the modern form. The earliest inscription dates back to 800 A.D. But there is evidence in Indian scriptures that the zero was used centuries before.

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Capital's Corridors

R. C. Ummat

Second thoughts on power programme • Coal exports • Fiscal concessions

The current significantly eased power situation in the country is understood to have induced some rethinking in the Planning Commission on the financial allocations for the future power development programmes. An indication of this is available from the current year's performance budgeting of Bharat Heavy Electricals Limited.

This one of the premier public sector undertakings registered a very impressive increase in its turnover during 1975-76 when it produced equipment worth Rs 418 crores, as against Rs 312 crores worth in the previous year. In physical terms, the equipment produced last year was capable of catering for the requirements of putting up 3,200 MW power generating capacity. The previous year's output helped in installing 2,500 MW capacity. The target of turnover for the current financial year has been scaled down, though modestly. It is envisaged to produce by March next year equipment worth Rs 405 crores only, which would enable augmentation of the power generation capacity by 3,000 MW.

some readjustments

The Planning Commission seems to have been emboldened for effecting some readjustments in the future power programmes by two factors, namely; (i) better utilisation of the existing generation capacities, and (ii) stringency of financial resources. It is felt that a further steady improvement in the utilisation of the existing capacities will help in meeting the electricity needs of the country in the next 3-4 years with the addition of a somewhat lower capacity than envisaged earlier. The financial resources thus released could be utilised more profitably in the other key sectors of the economy.

Only time will show whether this expectation of the Planning Commission is justified or not. Two significant factors responsible for easing the power situation in the recent past have been good monsoons in the last two years and the requirements not growing at the anticipated rate because of the sluggishness in economic growth.

uncertain factor

The rainfall admittedly is an uncertain factor and if the current efforts at accelerating the growth of the economy succeed, power requirements, indeed, can be expected to grow at a faster rate than has been the case in the last two or three years. Another important factor that needs to be emphasised in this connection is that power is a basic infrastructure the planning for which ought to be for marginal surpluses rather than marginal deficits. It is not yet clear how far this fact is being appreciated by the Planning Commission.

The maintenance of a high priority for the development of power, therefore, is necessary not only in the overall interests of the economy but also for utilising better the costly equipment manufacturing capacities set up in the country, mostly in the public sector itself under the aegis of BHEL. The current year's production target of this undertaking will mean utilisation of only 80 to 85 per cent of the capacities at Hardwar, Bhopal and Tiruchy but only to the extent of about 30 per cent at Hyderabad. All the units have yielded significantly better results in the recent months.

The order book of BHEL too does not make a very happy reading at present. At the end of the last financial year, the undertaking had orders worth about Rs 800 crores out of which orders worth about Rs 400 crores are expected to be cleared this year itself. Unless fresh orders are received in time, the operations of the various units, surely, can be expected to slow down further considerably next year.

export orders

It, of course, is encouraging to note that to keep up the recently built tempo of production, the BHEL management is endeavouring to step up exports to the extent possible. As already reported in this column, it received recently an order from Malaysia for the export of boilers worth Rs 17 crores. Another tender for setting up a 230 MW thermal power station in Libya on turnkey basis, at a cost of about Rs 115 crores, has been submitted recently. Efforts are also being made to secure some orders from Abu Dhabi, Dubai and Iran. If these efforts succeed, it is felt that export orders might be available to the order of about Rs 250 crores. This should stand in good stead in view of the domestic requirements not going up as fast as envisaged at the time of drawing up the current five-year Plan. But still the placement of the fresh domestic orders on the undertaking cannot be over-emphasised if the remarkable improvement in its operations during the last two years has to be maintained. It is difficult to regain the momentum once it is lost.

Significantly enough, BHEL's profit before tax during 1975-76 amounted to approximately Rs 53 crores, as against Rs 48 crores in the previous year. This should suggest that the undertaking has been able to absorb fully the escalation in the cost of production. The sale prices of equipment were maintained during the last year.

The ways and means position of BHEL, of course, is understood to have grown a bit more difficult. A sum of Rs 129 crores was due to it from its customers at the end of March last. Of this, arrears to the extent of only about Rs 40 crores fell within the customary realisation limit of 60 days. Among the major customers who owed sizeable amounts to BHEL at the end of March were included West Bengal and Gujarat state electricity boards—Rs 16 crores each—and the railways—Rs 15 crores.

* *

A break-through in the export of coal to the west European market is stated to have been achieved this month with the signing in Brussels of a contract between the Minerals and Metals Trading Corporation (MMTC) and the Belgian-British Coal Company, Antwerp, on May 6. Two ship-loads of 15,000 to 25,000 tonnes each of non-coking coal meant for power generation are to be supplied under this contract from the Paradip port starting in the next six to seven weeks.

The contract has followed the recent visit to the European Economic Community of a delegation from here consisting of Mr S.B. Lal, joint secretary, Department of Coal, and representatives of Coal India Limited and the MMTC. The delegation had held discussions with Pool des Calories, which is the single agency entrusted with the purchase and supply of coal, oil and gas to the Belgian power stations. Similar discussions were held by the delegation in Paris, Amsterdam, London and Dusseldorf. Samples of our coal had been sent earlier to the concerned consumers for analysis. This coal has been found to be quite acceptable to the power stations in western Europe because of its very low sulphur content which gives an added advantage to the west European consumers as it causes less pollution than coals being imported by them from other countries.

The supplies envisaged under the above contract will be by way of trial shipment. Similar contracts are proposed for supplies of non-coking coal to the various other European countries. At present, the EEC countries are importing about 40 million tonnes of coal per annum, mainly from the United States, Poland, the Soviet Union, Australia and South Africa. In view of its increasing import requirements, the Community is said to be interested in diversifying the sources of its coal supplies. The Community undertakings are also stated to be prepared to participate in joint ventures in the coal industry of non-member countries. The government of India is understood to have already initiated talks with the EEC for financial and technical collaboration for the development of export-oriented mines and infrastructure facilities here. If these talks succeed, long-term arrangements for the supply of coal to the EEC are proposed to be made.

Meanwhile, the minister for Energy, Mr K.C. Pant, has indicated that we will be able to export 1.5 million tonnes of coal this year—approximately 800,000 tonnes to the non-traditional markets such as the EEC, Japan, Egypt, Hong Kong, Taiwan and Singapore, and the remainder to the neighbouring countries of Nepal, Bangladesh and Sri Lanka.

production target

The current year's coal production target has been fixed at 108 million tonnes, even though sizeable stocks have accumulated at the pitheads. Efforts are being made to stimulate demand. Coal India has set up five regional offices for this purpose. It is hoped that with a tempo of house construction picking up, the demand for coal by cement factories and brick kilns would go up significantly. The acceleration in the rate of economic growth currently being attempted too is anticipated to help in stimulating domestic demand. The major consumers are being prevailed upon to stock coal to the extent possible at their ends.

Despite the fact that the existing prices of coal do not provide depreciation and return on capital, recommended by the Chakrava Committee, the ministry of Energy not contemplating any increase these prices. Efforts are being direct towards reducing cost of producti and increasing productivity in the co industry.

* *

Moving this year's Finance Bill f consideration in the Lok Sabha o May 12, the union minister f Finance, Mr C. Subramaniam, reveale that the budgetary deficit of the centr during 1975-76, which had been est mated at Rs 490 crores while presen ing the current year's budget in Marc last, had actually turned out to b significantly lower—just around Rs 36 crores. If allowance was made for special borrowing of Rs 100 crore from the Reserve Bank of India no being utilised—this borrowing ha been budgeted for the last year—th actual deficit during 1975-76 woul have been merely Rs 20 crores more than the originally anticipated deficit o Rs 247 crores. If note was also taken of the net Reserve Bank credit to the central and state governments during 1975-76, the position that would emerge would be even better. The net RBI credit to the government sector in this year, instead of showing an increase, as had been the case in the earlier years, contracted by more than Rs 200 crores.

The Finance minister also announced a number of concessions in his budget proposals. Though modest, entailing a sacrifice of revenue to the order of Rs 9.90 crores only in a full year, the concessions were, indeed, judicious. They should help in ameliorating to some extent the distress caused to various industries by the budget proposals.

The main concessions which the Finance minister announced in regard to indirect taxes included the following: (1) the scaling down of the excise duty on fine and superfine fabrics manufac-

d on powerlooms and processed by
ependent processors with the aid of
ver from 14 per cent ad valorem, as
pposed in the budget, to 12 per cent
valorem—corresponding adjustment
o be made in regard to superfine
d fine handloom processed fabrics by
ducing the excise duty from 12 per
nt ad valorem to 10 per cent ad
lorem; (ii) restoring of pre-budget
sition in regard to duty exemption in
spect of hand-printed cotton fabrics
—this exemption limit had been res-
icted through the budget to fabrics
hich were printed in not more than
ree colours; (iii) grant for exemption
om excise duty payable on tyres, tubes
nd batteries supplied as original equip-
nent for use in agricultural tractors as
vas done in the case of passenger cars
t the time of presenting the budget;
(iv) reduction in the excise duty on certain varieties of creamlaid and creamwove paper for common use of substance not exceeding 65 grams per sq metre from 25 per cent ad valorem to 15 per cent ad valorem; (v) grant of exemption to roofing tiles from the one per cent duty leviable under item 68 of the Central Excise Tariff; (vi) exempting of the small-scale manufacturers of starch whose clearances during the preceding financial year did not exceed Rs 5 lakhs, from excise duty on the first Rs one lakh worth production and extension of the self-removal procedure system to this commodity—starch of all kinds used in the manufacture of glucose and dextrose is to be exempted from the excise levy; (vii) reduction in the import duty on copper from 60 per cent ad valorem to the pre-budget figure of 45 per cent ad valorem—corresponding reduction is to be made in respect of certain copper manufactures and copper scrap; (viii) scaling down of the customs duty on cold rolled grain-oriented steel required for the manufacture of transformers from 75 per cent ad valorem to 40 per cent ad valorem. The Finance minister also announced that he would have no objection to considering enlargement of the list of essential drugs of life saving nature for which a concessional rate of duty is charged. The proposals in this regard would have to come from the ministry of Health.

Some concessions were also provided by Mr Subramaniam in direct taxes for the benefit of non-resident tax-payers in respect of lump sum payments of royalties received outside India for the delivery of designs and drawings relating to any patent, invention, etc, outside India, and in regard to foreign investments in certain cases. A small modification was announced in respect of the valuation of self-occupied houses.

In the corporate sector, the scope for exemption from tax on inter-corporate dividends derived by domestic companies from new companies, hitherto applicable to those engaged in the manufacture of fertilisers, pesticides, paper, pulp, newsprint and cement, has been widened to include industries engaged in producing non-ferrous metals, ferro-alloys and special steels, steel castings and forgings, electric motors, industrial and electrical machinery, earthmoving machinery, machine tools, commercial vehicles, ships, tyres and tubes, heavy chemicals and industrial explosives.

Mr Subramaniam stated that the new scheme of excise duty relief to encourage higher production, the details of which were being finalised, would be operated at least for three years instead of one year as originally stipulated. The scheme would be widened to cover new units set up in the recent past as well as those to be established during the current and the next two financial years.

Mr Subramaniam also clarified that the proposed provision in the Interest Tax Act, 1974, granting exemption from this tax to interest received by scheduled banks on long-term loans to industry for the purchase of capital equipment and machineries would not be confined to interest received on industrial advances. All long-term loans for the creation of capital assets in India, including those used for agricultural purposes, would qualify for this exemption.

The full text of the speech of the Finance minister containing the above concessions, is published in the Records and Statistics section of this issue.

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Manager

POINT OF VIEW

Urbanisation in India in 2000 AD

Rashmi Mayur

This paper was presented at the conference on Calcutta 2000 AD organised recently by the Indian Chamber of Commerce. According to the author, India presents the best example of 'over-urbanization'.

A LARGE MASS of people agglomerated in cities and towns of India represent a socio-technological revolution unparallelled in the history of India. The third largest urban population in the world consisting of approximately 120 million, that is, 20 per cent of the total population of 600 million people—after the United States with 180 million urban population followed by the Soviet Union with 135 million people in urban areas—is part of the industrial urban setting where modernization is changing the age-old civilization.

growth in numbers

Only 73 years ago, there were hardly 26 million people in urban areas out of 236 million people in the then India (including Pakistan and Bangladesh). Comparatively, the rate of growth of urban population has been rather slow in India but the scale in terms of the number of people in urban areas has been increasing sharply. Since the beginning of the century, when India's urban population was hardly 11 per cent whereas that of the United States was 20 per cent, it has only doubled to the 20 per cent now in India whereas in the United States about 80 per cent of the people are urbanized.

Yet India remains a rural agricultural country since the bulk of the 80 per cent of its population lives in the 576,000 villages scattered all over India. The rate of urban growth at present is four per cent a year, which is approximately twice the rate of growth of population—50 per cent of the growth being natural and the rest due to immigration of people from rural areas.

unabated growth

It is estimated through various analyses and projections that the inexorable growth of population in India as a whole and to a considerable extent in urban areas will continue unabated till the end of the century, when the approximate population will be 950 million to one billion. The present rate of urbanization will be accelerated even further after 1985, and by the end of the century the approximate number of people in various urban centres of India will reach between 335 to 350 million. If it reaches 350 million, that would mean 45 million more people than the total population of the United States in that year. Yet, India will still be a rural country with about 600 million people living in innumerable villages.

If our assumptions based on the extrapolations of urban and estimates of the projected total population are correct, India will have one seventh of the total population of the world and possibly its urban population will be the largest. There are two points of caution concerning these assumptions: one, possibly by 1985 some dramatic technology of population control may deter the growth considerably, mostly in urban areas; second, a revolutionary upsurge may influence urban-rural division of population in unforeseen direction.

Whatever may be the estimates of projection, it is certain that the trend of urbanisation will continue with far-reaching implications for the future course of the people in India. Some of the implications can be forecast on the basis of their roots in the present conditions and culture of India, while others may remain obscure in the unknown future. The magnitude and momentum of urbanization with foreseeable consequences cause much concern. Some of the trends seem clear.

industrial centres

In the historical past, the cities and towns of India had their origin as trade and administrative centres. Today major urban centres are industrial with a powerful magnetic attraction for a large number of people to leave saturated village economies in order to find new opportunities and success in the glamorous metropolitan areas. The result is the faster growth of larger cities, particularly above 100,000 and decline of small towns, particularly towns below population of 10,000. It is particularly important to note that the major metropolitan areas such as Bombay, Delhi and Calcutta are growing at much faster rate than the overall urban growth in India.

Second, urbanization is heavily concentrated in the regions which are highly industrialised such as the western region covering Ahmedabad, Bombay and Poona, the southern region, covering Bangalore and Madras; the eastern region in and around lcutta and the northern region tween Delhi and Kanpur. Some of e states such as Assam, Orissa, Bihar id Kerala remain very low in the ale and rate of urbanization.

The abnormal growth of urbanization n different parts of India can be attribu- ed to not only the terrific increase in opulation but also various policies of he government concerning industrial icensing, which encourage the existing ndustrialised areas to grow even faster, ransportation policies which favour the movement of goods and people in certain directions, and finally, the overwhelming attraction of the present metropolitan areas such as Bombay, Calcutta, Madras and Delhi to go on expanding indefinitely into urban sprawl. As an example, Calcutta is a grim giant, reflecting the symptoms of all illnesses affecting every aspect of Indian society, such as terrific pressure of population growth, severe shortages of resources to meet the demands of the people, leading to unplanned and abnormal growth of the city, enormous difficulties of management, continuously deteriorating environment and the general disintegration of the society. These observations are substantiated by innumerable studies of the city. Gradually similar deteriorating conditions are being experienced by other major cities and even some towns.

urban-rural dichotomy

In a sense India presents the best example of "over urbanization", which means that the Indian cities are growing more rapidly than the capacity of the economy as a whole to achieve substantial net gains of self-generating type which would allow sufficient margin for "social investment". The "over urbanization" is evident in various ways: one is under-development by which certain types of urban technology necessary for modernization is scarce or unavailable or not used; second, urban forms, city governments and economic planning are archaic, British-oriented and western-derived with little relevance to the conditions and problems in the Indian setting; third, urban social structure reflects institutions, attitudes, values and rituals of rural India, determining policies and influencing developments which conflict with the building of a healthy and progressive urban society and finally, the continuous accentuation of the urban-rural dichotomy has led to the parasitic relationship between the city and the hinterland, by which, because of the disadvantageous relationship of the latter, much of its vitality is drained away and is concentrated in the urban areas for the benefit of the limited number of people.

broad panorama

For the above analysis to be meaningful we must look at the broad panorama of urban life in terms of available facts. This exercise is based on the analysis of limited data concerning the present conditions in cities and towns of India, the minimum requirements of urban man and the availability of resources to fulfil them. The picture is appalling, desparate and grim. According to a latest study, whereas 40 per cent of people in rural areas live below the minimum standards, the plight of the 50 per cent people in urban areas is the same. More pertinent fact is that the bottom one per cent of the urban masses live in more wretched conditions than their counterparts in rural areas.

The more pervasive picture of urban life in India is pockets of glistering modern sky-scrappers surrounded by squalid slums stretching far into the suburbs. In Bombay, for example, there are 100,000 pavement dwellers and more than 2.5 million out of 6.5 million people live in over 500 slums. Each day about 300 people migrate to the city from villages and towns from different parts of the country. The result is the frightening overcrowdedness in the centre city with all the concomitant problems of poverty, pollution, traffic congestion, unemployment, crime, filth and misery.

In all walks of life there are shortages. The most glaring and fundamental deterioration of urban life is apparent in the shortage of housing in every urban areas around the country. Even in 1966 Bombay city had a deficit of 160,000 dwellings to accommodate people in most desparate conditions. At the rate of the basic deficits of housing for at least one-third of the urban population, we have computed the shortage of 1.8 million dwellings around the country.

Let us examine the problem of water resources in urban areas. Acute water shortage is known to most urban dwellers, who have been receiving less and less water each day. On the face of it, it may seem that Bombay has sufficient supply of water at the minimum level of 25 gallons per day per person, but in reality it is not so. At least 20 per cent of Bombay's water is wasted through leakages. But the main problem is the water distribution system itself.

glaring contrast

In a recent survey we found that on the one hand in some of the slums per capita availablity of water was hardly two gallons per day per person whereas in more affluent areas it was approximately 150 gallons per day per person. Then again, in many cities and towns water is neither filtered not treated properly, resulting in various health hazards and decline of health or high mortality. No city or town in India can dream of the 24-hour clean water supply in the foreseeable future.

The traffic carried by the mass transportation systems during the peak hour in all major cities is packed to "crushload". The gruesome strain on urban transportation has been due to the increasing population and meagre growth of transportation facilities. Many newcomers settle in outlying suburban areas, thus creating urban sprawl, but, since most of the economic activities remain concentrated in the centre city (as in the case of Bombay where 70 per cent of the jobs are located on the main island), a substantially heavy burden has been imposed on the transportation system; for example, the daily average number of bus passengers in Delhi increased by 175 per cent in the last decade, whereas the number of buses available increased only by 90 per cent. The unplanned, outdated roads, slow growth of public transportation, multiple types of vehicles, astounding number of passengers, archaic transportation planning and management have led to the urban transportation nightmare, unknown even in the western countries like the United States where the number of vehicles are a hundred times more.

Similar stories of severe deficits of available resources in the areas of education, health, communication and energy can be repeated. Analysing the load of each one of the factors in terms of the demands of 120 million people in urban areas and available resources, we have estimated that at present hardly 55 per cent, that is, approximately 66 million people can be accommodated at the minimum level in cities and towns of India. This is the tragedy of overload and over-urbanisation and concern for the future of urbanisation in India.

by century end

At the outset it seems that if the trends continue as projected the future of urbanization in India will be disastrous if not catastrophic. Broadly speaking the following projections for the year 2000 seem highly probable:

1. The rate of growth of urbanisation will continue at the present rate of four per cent a year, but in the last decade it will increase by five per cent a year. Thus by the turn of the century there will be approximately 350 million people in urban centres.

2. The magnetic strength and pull of the present metropolitan areas will continue to grow, leading consequently to selected megalopolitan areas with the concentration of enormous mass of people in ugly agglomerates. We envision five major megalopolitan areas with the projected population as follows:

Megalopolitan areas	Population in the year 2000 (in millions)
1. Bombay-Ahmedabad-Poona	38.60
2. Calcutta	23.00
3. Madras-Bangalore	19.70
4. Delhi	19.00
5. Lucknow-Kanpur	10.00

3. Moreover, there will be about 20 cities with a population of about one million each and at least 600 cities with a population of between 50,000. and 5,00,000. Smaller towns will decline in number.

4. According to various trade and industrial policies at least 100 new towns will emerge in various parts of India.

The scenario described above will have the following implications :

1. The spectacular growth of population, especially in urban areas, will strain all the resources and social institutions of the country beyond any Malthusian calculations.

2. Even if the food production in India is doubled by the end of the century to 220 million tons per year (which is likely), there will still be a deficit of at least 30 million tons per year. This implies two basic difficulties for the Indian economy; on the one hand India will be dependent on a foreign country or countries for its basic needs, and on the other, the rural economy will remain weak and overly saturated, forcing the excess number of people to migrate to the urban areas for more survival.

3. If the economic growth picks up again and the per capita GNP increases at the rate of two per cent a year average over the $ 100 GNP per capita of today, by the end year 2000 it would hardly be $ 160 GNP per capita, which will not take the masses of people above the poverty line. On the contrary, since much of the surplus will be absorbed by the increasing population at least 65 per cent of the urban population will be living below the desired minimum. Thus the urban poverty index will increase by at least 10 per cent in 26 years. It is in this sense that the urbanisation will be a process of crisis affecting every aspect of urban life with severe and chronic deficits and innumerable other difficulties.

rural pressure

4. It is probable that with increasing refinement in the technology of population control and better means of communication in urban areas that the natural growth of population may decline by half a per cent to one per cent a year after 1985, but that will not affect the total growth of urban population significantly since the in-migration from rural areas in all probability will continue and even increase unabated.

5. Unless the political structure undergoes a fundamental change economic disparities between the two per cent of the households in urban areas earning more than $ 300 a month and the rest of them earning much less will widen. With the increasing shortages and deterioration of the overall urban services and extremely high level of congestion, probably 25 per cent of the population will be in a state of desperation at the end of the century.

6. As we have pointed out earlier the strains on resources will reduce the quality and quantity of services in urban areas. There is no doubt that the size of the major cities has already grown beyond the optimum level. As Lewis Mumford, a noted urbanist, has pointed out "confusion, constriction, costiveness—these are the typical by-

roducts of metropolitan congestion—onsider the costs of metropolitan ongestion. We shall find that they re rising to a point that makes conesition financially unendurable, even f it were humanly tolerable". The vercrowdedness and congestion have reated not only socio-political probems of living, but also the economic problems of planning and developing the necessary infrastructure for urban living. Data concerning the per capita added cost of the urban infrastructure is pitifully scarce. But if Mumford's analysis of the United States holds true we have reason to believe that it costs three times more for each person added to a large city than if he stays in a small town. Thus larger cities will become economically less and less viable.

horrendous projection

Let us examine the needs of the urban population at the turn of the century:

1. For the projected population 70 million dwellings will be required. At the rate of Rs 22,000 per dwelling for land and construction (most conservatively assumed for that year) it would cost Rs 1.5 trillion to meet the demands of the urban population. Considering the horrendous housing shortage in urban India today with enormous number of slums, squatters and pavement dwellers, high cost of construction, land speculation, the housing situation seems an intractable Gordian Knot even today. It will reach serious proportion in 26 years.

2. At the minimum level of requirement of water per person the need for the total urban population will be for 8.75 billion gallons per day, which will cost at least Rs 17 million a day just to supply, not counting the capital investment for water resources development. Based on the government calculation itself it would cost Rs 40 billion just to meet the deficit of the water resources in urban areas today. If such enormous resources are not available today, one wonders what the state of water crisis will be in the year 2000.

3. If the trends continue as they have during the last 25 years, the problem of transportation for the rest of the quarter century will shockingly halt the massive movement of people due to enormous disruptions and dislocations generated by continuously indequate transporation facilities that will be required for the increasing number of passengers. At that time in urban areas alone there will be approximately 263 million passengers travelling every day. In terms of transportation facilities (given one mode only) the number of buses required to transport these passengers will be at least 263,000, not counting private automobiles and taxis. Proportionately less number of buses will be required, if other forms of transportation such as subways or trains will be available. Due to continuing shortage of energy the rate of growth of private automobiles will probably decline and may remain stabilized at one million level in urban areas.

communication resources

4. According to the present plans of development the major inputin communication resources will continue to be in urban areas. Probably television will be more commonly available than it is today but it will not reach the masses at the end of the century as radio had done today. Television will remain a luxury to the affluent rather than a mechanism of change for some time to come. Similar difficulty will prevail concerning telephones. Not only the quality of the telephone service will decline, but its use will be available for less than 50 per cent of the urban population. Newspapers, especially in local languages will be widely available and read by a large number of people.

5. Probably the most gruesome problem will be that of the energy shortage. Unless new sources of energy are invented, increasingly urbanized masses will have to depend on coal products and imported oil. The demand for oil, however, will continue to grow at least in the near future. If we can project from a recent survey of the energy consumption in Bombay (which is one-hundredth of the per capita consumption of an American) the total requirement of energy for the urban population in the year 2000 will be no less than 700 million tons of coal replacement per year.

environmental polution

6. The problem of environmental pollution will plague Indian cities and towns even more seriously than it has been recognized so far or has been experienced by the western countries. The unhygienic conditions in which the majority of people will have to live in addition to the high cost of instituting pollution control devices will bring the paradoxical trap of poverty and pollution. A study of nine cities in India by CPHERI found pollution severe in some urban areas all over the country. There is no doubt that in time some of the finest beaches, rivers and lakes will be inundated by sewage and effluents; the clean air will be raped by atmospheric pollutants such as carbondioxide, carbonmonoxide, ozone, sulphurdioxide, etc. Some of the idyllic gardens, forests, mountains and open spaces will be contaminated and littered with wastes in order to meet the insatiable needs of the growing urban population. All in all, the environmental deterioration will be the worst curse that will be inflicted by the future urbanisation in India.

7. The literacy rate which is at 55 per cent level today in the urban areas will reach 70 per cent in the next 25 years. This will lead to an enormous problem of the educated unemployment, threatening the existing institutions of society. The relevance of the present educational system to the future development will be increasingly questioned but the present entrenched

system will hardly go through any major changes, thus increasing a great financial burden due to the clamour of education from the urban masses.

8. By the end of the century the uneven ratio of age and sex in urban areas will be eliminated to a great extent. It does not seem likely that the average life span of an urban man will increase beyond 60 years. However, number of old people in urban areas will increase.

9. The manufacturing sectors will continue to remain the main employer followed by services and trade and transport.

10. The concentration of wealth in urban areas will increase substantially, thereby contributing to the increased per capita income and expenditure in urban areas, but it is hardly likely that 60 per cent of the urban masses will be better off than their counterparts in rural areas.

health problems

11. If there is one area where continuous decline of urban life will be reflected, that is health. Slums, pollution, stench, decline in quality of water, hypertensions, malnutritions and general decline in living conditions will lead to various diseases, health hazards and unexpected deaths. The cost of health will grow in geometrical progression, yet, for large number of people ill-health will be the way of life.

12. It is hard to measure the social cost of urbanization. The joint-family system, the backbone of Indian society for centuries will experience the strain of modernisation. Gradually more and more people, especially with education will prefer to live in nuclear families and thereby create more burden on urban housing. But family will remain the basic constitution of security. A recent analysis has shown that crime, violence and tensions in urban areas have grown substantially during the last two decades. It can be deduced by the year 2000 the major crimes in terms of robberies, fighting, assaults and even murders will increase proportionately. Urban man's ties with the rural areas will decline. Despite urbanization, parochialism, regionalism, sectarianism and religious identifications will be strengthened, thereby threatening the process of modernisation of the society and integration of India. The social and economic gap between the one per cent rich and rest of the masses will widen steeply. The affluent will suffer alienation, loneliness and continuous threat of losing what they possess, whereas for the poor masses the daily struggle for survival, fights to gain more and desperation will be the order of the day.

13. In the political sphere, unless drastic institutional changes will occur, powers of the municipal governments will decline even further, leading to more concentration of authority in the state and central governments. There will be increasing attempts by the state to control more and more economic activities resulting in a series of political and administrative problems such as inefficiency, nepotism, corruption and tensions. Urban bureaucracy will grow by three times to unmanageable proportion. Difficulties concerning law and order and political instability, particularly in urban areas, will determine the future course of the Indian society as a whole.

grim scenario

The scenario of cities and towns of India in the year 2000 seems pretty grim. Grim it is even today. It is dangerous to be a prophet of doom in the age of powerful technology and in the country where the future is determined not by planning but by fate and also because there is a great information gap concerning the present state of urban society. We have engaged ourselves in rather a complex and difficult exercise of projectin statistics. Then again, numbers ar useful instruments or tools of understanding reality. Beyond these figure lie experiences of millions of livin beings who are a part of the dramati process changing the land, climate the culture and the civilisation on th sub-continent. Tomorrow is as fa away as today is from yesterday. No one will turn the clock back. The march of urbanisation will continue undaunted encompassing the larger and larger number of people within its fold. If we are not to be knocked down by the fatal blows of powerful forces such as misery, suffering, diseases, poverty, hunger and death, we should be prepared today to rearrange our relationships among ourselves and to our resources. The logic of the situation demands the inquiry into and questioning of the basic premises of the present urban life.

some alternatives

There is not a single alternative. Probably alternatives are many in various combinations and men of imagination and will must choose those alternatives which will raise new hopes for the hopeless and for the total society. A selected alternatives are suggested below:

1. Since urbanisation is a major process in the life of a nation, the central government should have definite urban policies based on the broad knowledge of urban development. There should be national policies integrated in the five-year plans.

2. The structure and the power of the city government should be altered to meet the complex demands of urban life. The obsolecent structure of the present municipalities should be replaced by streamlined urban management system with the policy makers who are bold and imaginative enough to understand the dynamic forces of the urban life and bureaucracy which is imagi-

tive, courageous and human enough bring efficiency and results.

3. Urban development should be ade part of the regional planning ased on resource requirements, econoic viability, optimum productivity, ultural growth and integrated devepment. Various regional plans should e framed for the different parts of the ountry. Within each region through ndustrial and zoning policies, attempts hould be made for the total developnent of an area rather than a partial levelopment as it is done today with he detrimental effect on urban as well as rural life. Such plans for regional development will include economic development of towns, villages (both as growth centres) and cities without overburdening cities with the surplus poverty.

regional development

At the same time regional development would crush the present trends towards disastrous megalopolitan development, which would bring disaster to large concentration of people. Regional development would eliminate false secretarian securities and need for the present artificial state system. Within the regional plan there will be room for large scale, intermediary, small-scale and even handicraft industries, thus providing choice of various ways of life to people. Regional development would bring benefits of resources to all the people without creating the present parasitic relationship. Thus urban development should be made an integrated part of regional development, bringing halt to any further growth to major metropolitan areas.

4. The central government, the regional body and the city government should set immediate priorities of development and allocate resources accordingly. Policies concerning urban development should reflect these priorities. The most important priority should be the massive programmes of population control since all the ills of urban or rural society we experience today stem from the basic fact that in India today there simply are too many people increasing at an alarming rate. If this increase cannot be stopped, there is no power or plan or wisdom or assistance which can save the country from future disasters.

first priority

As far as urban areas are concerned, the first priority should be given to housing in order that within next 25 years every person will have a decent housing at the minimum level. Secondly, massive preventive and curative health programmes should be instituted coupled with the supply of minimum amount of water. Thirdly, a fast, efficient, well-integrated public transportation system should be developed. Simultaneously, every effort should be made to discourage and make unnecessary the use of private automobiles. The transportation crisis is a product of bad management and wrong priorities. It is man-made, not natural. Fourthly, all the developments should be geared to low energy technology. Wherever possible emphasis should be on human energy, energy of the sun and other forms of low-cost energies which are pollution-free.

5. Urban society is a technological society. As it is now well-known from western experience, not all technology is beneficial to mankind. Indiscriminate use of technology in every sphere of life brings biological deterioration and environmental degradation. One would assume that a developing country like India would learn from experiences of western countries and thus leapfrog various detrimental stages of technological development. Proper and useful selection of technology leads to success in urban life. Technology can be used as an instrument of socio-economic change and development.

6. No society can afford to squander its scarce and precious resources, least of all a developing society. One way out of the present mass is to use the resources judiciously and selectively. A poor society can not follow the laissez-faire policy concerning resource development and utilization. Masses cannot be lifted from degrading conditions without the equitable use of resources from the total society. The present wasteful use of resources by an insignificant minority has converted urbanisation as a system of speculation, exploitation and bloodsucking. We must recognise that a great deal of resources will be depleted by the year 2000. Hence our concern should be not only proper use of them but also creation of new resources.

7. Urban society depends upon

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learning and knowledge. If our society wishes to reap benefits of urban life it must make the educational system and learning relevant, useful and progressive. In the name of literacy, degrees, the rot learning of today has converted education into an instrument of seeking statuses and pecuniary interests. The result has been the enormous expenses in order to produce the educated unemployed and literate morons. Urban education of tomorrow will be based on problem-solving, experience, exploration, development of intelligence and imagination, will and desire to build a new society by creating new resources and new social order. It should be low-cost education with a great deal of para-professional and vocational content.

8. Every region, city and town should have a data-bank, supplying scientific, up-to-date information for planning, integrated development, long range development and proper resource allocation.

9. It is not necessary for urban society to suffer from various social ills such as anomie, loneliness, crime, breakdown of social relations or alcoholism. Through education and proper use of technology such as TV and radio many such maladies can be eliminated. To be sure, the urban society will have to adapt to the newer types of relations. What we know about human psychology tells us that human beings live by the meaningful relations and ultimately the survival of the individual depends upon the healthy state of the society. Many aspects of family relations in India can be restructured to accomplish the goals of building a new happy urban society.

Indeed, cities and towns of India are in crisis, which is deepening each day whether we like to believe it or not. The crisis is like cancer which is eating away the fabric of the total society. Our lack of policies, obsolete form of government, ignorance about the consequences of urban life, excessively fast growth of population, pitifully meagre resources have all led us to the path of oblivion. Like many cities of the world, cities of India are in race with the time. All those who value urban life and its potentialities to explore and build higher and richer civilizations should realize that urban crisis is a challenge and opportunity in the long struggle for survival on this fragile planet.

Urbanisation in India: 1901-1974

Census Year	Population in millions		Per cent urban of total population
	Total	Urban	
1911	236.3	25.8	10.9
1901	252.1	26.6	10.6
1921	151.4	28.6	11.4
1931	279.0	33.8	12.1
1941	318.7	44.3	13.9
1951	361.1	62.4	15.9
1961	439.2	78.9	18.0
1971	546.9	109.0	20.0
1974	600.0	120.0	20.0

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Roads and road transport

Badar Alam Iqbal

The expenditure on roads and road transport as percentage of total public sector investment has gone down from 8.6 per cent in the first Plan to 5.5 per cent in the fourth Plan. This trend needs to the reversed

FOR A country such as India, a good system of roads and road transport are basic prerequisites for the development of the economy. Farm production depends heavily on the capability to carry a variety of inputs to the field and move out produce to centres of consumption. The other social advantages resulting from road and road transport such as the spread of education, medical facilities, family planning etc. cannot be evaluated in terms of money.

The development of roads and road transport also exposes the population to new influences. The rural population in particular can drive large benefits from the green revolution only if its surplus produce is carried quickly to the market place. The rural and urban populations of our country are interdependent and the net-work of roads and road transport can bring about an improvement in the standard of living of both sections of society.

contribution to growth

All over the world roads and road transport have contributed significantly to the growth of the gross national product of a number of countries while our country has remained backward in this aspect. In 1974, our country had 1.25 million km of all types of roads against 390,000 km in 1951. But the surfaced roads accounted for 35 per cent of the total road length in 1974.

Table I shows the growth of roads in India from 1947 to 1974.

There has been three-fold increase in surfaced and unsurfaced roads in the country since independence, while the availability of roads both in terms of area and population is woefully inadequate. According to an estimate there are only 15 km of roads in every 100s. sq. km of area and only 73 km of roads for a population of 100,000. This is very low as compared with 301 km in Belgium, 138 km in the UK, 167 km in West Germany, 312 km in the Netherlands, 277 km in Japan and 139 km in Switzerland.

Apart from the inadequacy of roads, this country is poor in traffic growth as well. This is shown in Table II

Thus the share of roads in total goods traffic in India is relatively small as compared with the advanced countries, though it has been increasing steadily over a period of years.

The draft fifth five-year Plan envisages the expansion of road transport by nearly 70 per cent from 65 billion to 110 billion tonnes/km in passenger traffic. Roads carrieds 49.1 per cent of the total road/rail traffic in 1974. The volume of bus traffic is expected to increase by 38 per cent in the fifth Plan period.

There is another measure of inadequacy in commercial traffic. There are today roughly 585,600 commercial vehicles for goods traffic whose share is 31 per cent (data for 1974). Table III shows the growth of commercial

TABLE II

Traffic Groups

Year	Volume of road traffic (billion tons)	% share of road in total roads and rail traffic
	Goods Traffic	
1950-51	6	12.00
1955-56	9	13.00
1960-61	17	16.20
1965-66	34	22.50
1968-69	41	25.50
1973-74	84	34.60
	Passenger Traffic	
1950-51	23	25.60
1955-56	31	32.00
1960-61	57	42.00
1965-66	82	46.16
1968-69	98	47.60
1973-74	140	50.90

Source: Times of India Directory, 1974-75

TABLE I

Growth of Roads in India : 1947-74

Year	Surfaced roads	Classified unsurfaced roads	Other roads	Total
1947	145855	242371	N.A.	388226
1951	157019	242923	N.A.	399942
1956	208796	269788	59594	538178
1961	262746	258358	204059	725173
1966	339374	299257	419435	1058066
1969	386784	296000	488000	1170729
1974	430000	320000	504000	1254000

Source: Kothari Economic and Industrial Guide, 1974.

vehicles in our country from 1951 to 1974.

The number of trucks on the road has multiplied over five times while the number of buses on the road has increased over 3.5 times in the last 24 years.

TABLE III

Commercial Vehicles in India: 1951-74

Year	Goods vehicles	Buses
1950-51	81,888	34,411
1955-56	119,461	46,461
1960-61	167,649	56,752
1965-66	258,977	73,175
1968-69	306,802	86,570
1973-74	470,000	115,600

Source : Government of India, fourth five-year Plan.

It is thus clear that the position of roads and road transport is still unsatisfactory when we take into consideration the vast area of the country and its population. There is need to devise means for overcoming these difficulties. At present the tax burden is very high and is crippling the growth of the road transport industry. It is therefore necessary that the tax burden is reduced. The government should enable the operators to obtain credit on easy terms. Further, to strengthen the industry, a national road development plan should be drawn up and executed expeditiously.

The expenditure on roads and road transport as a percentage of tota public sector investment has come down from 8.6 per cent in the first five-year Plan to 5.5 per cent in the fourth five-year Plan. This trend needs to be reversed.

The draft fifth Plan envisages improvement in the road transport system to enable an uninterrupted flow of traffic and has given priority to the completion of works spilling over from the fourth Plan period. Out of an expenditure of Rs 1774 crores for roads in the fifth Plan period, Rs 714 crores are earmarked for the central sector. The remaining Rs 1060 crores are to be spent on state programmes which include Rs 500 crores towards rural roads schemes.

Promoting marine fisheries

K. M. Pathusha

About 750,000 fishermen depend on this industry for livelihood. A considerable number is also gainfully employed in ancillary industries.

INDIA TODAY stands on the threshold of a "Fish revolution", according to Mr Jhingran, Director of the Central Inland Fisheries Research Institute of Barackpore. He says that the new technology developed in recent years has made it possible to raise 9000 kg of fish per hectare per year against a mere 600 kg of the estimated annual yield per hectare in India. In view of this, fish and frog culture covered by the collective term "aquaculture" now promises to play a valuable role in supplementing and balancing the country's economy. The development and expansion of aquaculture will mean more fish providing increasing quantity of protein for a growing population, more frogs yielding foreign exchange and more direct and indirect employment opportunities.

More than half of the world comes from the Pacific Ocean area followed by the Atlantic Ocean region and the Indian Ocean region—the last providing only four per cent of the total world catch. There is very good scope for increasing the present catch from the Indian Ocean, provided the deep sea and large-scale fishing methods are followed. It has been estimated that the west coast could bring a catch of 60,10,000 tonnes (39,05,000 tonnes of bottom dwelling fish and 18,60,000 tonnes of surface living fish) as against the present catch of 880,000 tonnes; the east coast could yield about 32,21,000 tonnes. (14,01,000 tonnes of demersal and 18,20,000 tonnes of pelagic fish).

Deep-sea fishing is a novel venture in India. The Indo-Norwegian project at Quilon in Kerala, with its stations at Veraval, Bombay, Karuvan, Mangalore, Cochin, Tuticorin, Mandapam and Vishakhapatnam, has pioneered deep sea fishing by supplying boats and equipments and training to the fishermen. Following this, many deep-sea fishing boats are being built all along the east and west coasts. Deep-sea fishing promises to become a big enterprise in the near future. Till recently fishing has been a monopoly of the old-time fishermen with their country craft and medium-sized fishing companies in mechanised boats. Both have exploited the in-shore waters—the mechanised boats now and then venturing into off-shore waters. The deep sea has been practically untouched. From 1970 onwards, marine fishing has attracted foreign-owned business enterprises in India as well as the big business houses.

The production of fish in 1972 was estimated at 1.84 million tonnes of which marine production accounts for 1.11 million tonnes. Total production in 1971 was 1.85 million tonnes out of which 1.16 million tonnes was marine fish. The decrease in the seasonal pelagic fisheries i.e. sardines and mackerels affected marine production to some extent in 1972. However, the production of additional mechanical ats during the year averted a subs-ntial fall in marine fisheries.

The operation fishing begins with the sheries' experts going up in the air in plane. Whenever they sight a shoal, hey alert the deep-sea fishing vessels hich are waiting for their green signal. he vessels then carry out trials nd maneouvres to check the alert from he plane. Operation fishing begins n the basis of this information. No ess than six such vessels of different fishery organisations of the central government were at strategic points along the Trivandrum-Goa stretch in September, 1974 to conduct an aerial survey.

The plane also takes photographs of the shoals it locates with delicate photographic instruments. Sound gadgets are also being used for the survey. The data is then analysed for subsequent studies. In 1972-73, a preliminary survey was done and the results were encouraging. So a full-fledged aerial survey was conducted from September 14, 1974 to September 25, 1974 under the leadership of Prof P.C. George, Fisheries' Adviser to the central government. The survey team consisted of a battery of Indian, Norwegian and FAO experts.

aerial survey

The aerial survey was part of the project which our country embarked upon in 1971 at Cochin in collaboration with the United Nations Development Programme (UNDP) to study pelagic (free moving) fish stocks such as sardines and mackerels which add up to 40 per cent of the country's annual marine catch. Our country now gets 2.27 million tonnes of fish in a year out of which 1.8 million tonnes comes from the sea.

The project was set up because there are sharp fluctuations in the catch of sardines and mackerels due to natural and geographical factors. The idea behind the survey was to minimise the fluctuation hazards and jack up the fish catch by knowing how much fish is available and where. The survey is repeated during the fishing season which starts from October and lasts till March-April.

In the marine fishing industry, Kerala leads with 40 per cent of the total catch. Tamil Nadu, Maharashtra, Gujarat, Andhra Pradesh and Karnataka are next in importance and other coastal states such as Orissa and West Bengal are developing their potential.

inland fishery

It is interesting to know that Tamil Nadu has been more successful in the development of inland fisheries than in harvesting the sea fish despite her long coast-line and the vast potential of the Bay of Bengal. The reasons for its slow growth may be due to lack of fishing harbours where modern boats may be moored and unloaded. Another reason for its poor record in this industry is the absence of deep-sea fishing which is carried on elsewhere by sophisticated trawlers. These are often floating fish factories where the catch is processed and packed and carried along for long periods before the trawlers reach the port.

The Tamil Nadu government has been experimenting with trawlers for a long time without much success. It is heartening to note that the Tamil Nadu government is taking steps to construct modern light trawlers and also to import some from Italy.

It is often said that private enterprise of small and medium size has failed to seize this opportunity whereas in Kerala, Maharashtra and Bengal fleets of trawlers are operated by big companies. But those who are already in this field find it very difficult to sustain themselves. Another cause is lack of finance to buy trawlers and to operate them profitably. Although help and guidance of the government are available, there are many practical difficulties.

Even though fishing comes under the priority sector, the government and the financial institutions take a lukewarm attitude towards this industry. When approached for financial assistance, the financial institutions ask for full security and put forth all sorts of restrictive clauses without taking into account the practical difficulties of this industry. Another hurdle is the non-availability of trained and reliable crews to operate the trawlers.

At present about 750,000 fisherman depend on this industry for livelihood. A considerable number is also gainfully employed in ancillary vocations such as net-making, basket making, manufacture of ice, fish processing and transportation.

export item

Prawn (shrimp) has been the fishing industry's main export item, followed by tails and frog legs. It seems that the demand abroad for shrimps is enormous, and the main markets are the UK, the USA and Japan. It is perhaps time to enter the foreign markets with other kinds of fish such as tuna, sardines, mackerel, eel and cuttle fish.

It is reported that Japanese fishing vessels net some 1,50,000 tonnes of tuna from the waters of Indian Ocean, but until our fishing industry is modernised and gets accustomed to fishing in distant waters, we cannot compete with Japan, the USSR, Taiwan and other nations. It should be possible to base fishing fleets on the Andaman and Laccadive Islands as well as the numerous fishing harbours on our coast.

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My dear Hennessy*...

WAS dream years ago and I had just turned to *Eastern Economist* and sumed editorial responsibilities. I ad not met him then, but he was ready an institution in this journal and s well-loved columnist. When I first ad to write to him, I addressed him, aturally, as "Dear Mr Hennessy". at came a suggestion from him: "Don't you think that it will help matters considerably if you could address me as 'My dear Hennessy'—I do not insist on 'My dear Jossleyn'? I have always been thankful for that option, for I would never have felt easy with "Jossleyn" when thinking of that larger-than-life Briton of the Old School.

His outstanding quality, of course, was his "Britishness". He could as easily have been Boswell's Johnson as Goldsmith's Vicar of Wakefield. *That* was how inherent and wide-ranging the essential Britishness of his character and temperament was. It was on ground of his own choosing that I first saw him at his invitation—The Beefsteak Club in London's West End. For an awesome half-hour he tutored me in the heraldic splendours of that establishment, the membership of which he treasured both as a right and as an honour. As my introduction to the man and where he belonged, that was an experience to be recalled with reverence.

During my later visits to London I did manage, however, to have these evenings with him at The Beefsteak Club eased to less of a confrontation with the august heredity of the setting. Once this had been contrived I was able to enjoy hugely the warmth of the man's genuine companionship, his anecdotes of people and events past, often told with a wit, sharp, but never malicious and, of course, the unaffected hospitality which informed his choosing of food and drink for me.

The last time I was with him was a memorable and endearing experience for me. Sensing my meagre foreign exchange was no match for Britain's inflation, he invited me to leave my hotel and, as a temporary tenant, put up at a bed-sitter in a building of which he and his wife, living in the basement, were acting as care-takers. Attempting to be business-like, he told me that he would charge me £ 12 a week and that this included breakfast. That was the best bargain I ever made in all my time abroad, for, his wife, Lora—it was easy to call that grey-haired, kindly, bustling woman "Lora" as if I had known her always—was generous indeed with the breakfast and often insisted on my breaking bread with them at super.

My admiration for the man grew enormously when I got this chance to witness his working habits. As I came down to breakfast, he would emerge from his "den" where he would have already done his day's writing and he told me that he prized this routine because it gave him so much time in the course of the day to indulge his first love which was reading. A big man and tall, he seemed even taller because of the ram-rod straightness of his bearing. I never liked speculating how old he might be. It was enough that he bore all of his years so bravely. Though afflicted with arthritis, he stuck to the last to the use of a bicycle and his jaunty arrivals and departures on this vehicle which he rode so joyously made the sight of others at the Beefsteak Club driving or being driven away in cars, big or otherwise, seem slightly vulgar.

Hennessy has served for a period in this country. He was the first Principal Information Officer to the then government of India during the second world war. The India that he knew was thus an India that was. The India that he thought he knew was perhaps an India that never was. Nevertheless it was a pleasure to hear him reminisce for he liked this land, its people and much of what he saw of their ways.

After this country had become independent, Hennessy visited it with his wife to write a descriptive account of the Birla Education complex at Pilani. This he did with his usual thoroughness as to facts and a rare awareness of the human aspects of the story and the possibilities of this ambitious exercise in modernising and liberalising the concept of education as a means of human resource development.

In his political views he was a text-book conservative. No words were strong enough for him for castigating "the unions" for the economic ills of his country and he had nothing but contempt for those political leaders who were too weak to stand up to union pressure. This meant that he had very few favourites among politicians in present-day Britain. Lora used to suggest, with a mischievous twinkle in her eyes, that her husband's intolerance of all that smacked of demagogy had a lot to do with genealogy and, with ill-concealed pride, she would point to a large photograph of a group of impressively attired Central

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*Jossleyn Hennessy, our columnist, died in London on April 29, 1976

European aristocracy of by-gone years as his forbears. It certainly called for an effort of imagination, if not an act of faith, to impute to the so-British Hennessy such origins.

Of his work for *Eastern Economist* I need say very little here. He had a most loyal readership and it knows well enough what it will be missing. I may just record his grand virtues of regularity and punctuality. Only a postal strike could hold up his despatches. In fact, when his manuscript did not arrive as usual, it could be suspected that something had gone wrong; the news that he had passed away came almost as a natural explanation. To me his demise, indeed, had an expecte quality. Lora had died about a yea ago and I had then doubted that mere accident of human mortalit could keep separate for long these tw who had so gracefully grown ol together.

V.B.

How exchange rates are set

Jossleyn Hennessy, London

This article, along with two others, was sent to us by Jossleyn Hennessy's son, Mr Armyn Hennessy. Going through his father's papers after his death, he found that these articles had been prepared well in advance of the posting dates. *Eastern Economist* will carry these articles in the subsequent issues. "I would like to say that I knew the writing of this column used to give him great satisfaction", wrote Armyn in his letter to us.

I

AN ABC FOR STUDENTS

JUST AS senior bank officials and leaders of industry may be expected to understand the complexities of inflation, so they doubtless know how and why the rupee's exchange rate stands as it does today. The following report (summarised from the latest issue of Review of the Bank of New South Wales published in Sydney) is not for them, but I hope that junior personnel and students will find it enlightening.

The rate of exchange of a currency is simply its price expressed in terms of another (e.g. $A1.00 buys US$1.25 or US$1.00 buys $A0.80) or of several others. A country's exchange rate is thus of the utmost importance in determining its capacity to export, and consequently to import goods and services.

In a world of completely free exchange rates, the price, or rate of exchange, of the Australian dollar in terms of other currencies would be allowed to vary continuously according to market forces. The determinants would be the demand overseas for Australian dollars (principally to pay for Australia's exports of goods and services) and the voiume of current holdings by the rest of the world of Australian dollars, or claims to Autralian dollars (reflecting, in the main, Australia's imports of goods & services).

theoratical assumption

Currencies of countries with balance of payments deficits would tend to depreciate against the currencies of countries in surplus. Theoretically, these changes would restore balance of payments equilibrium (assuming no inflation or even the same rate of inflation everywhere) — imports would become more expensive for the deficit countries but their exports would become relatively cheaper for the countries in surplus. At the same time, freely-floating rates would remove the need for countries to maintain reserves of other currencies as a means of supporting a particular exchange rate.

In practice, however, national governments are normally reluctant to allow the external price of their domestic currencies to be determined in a completely independent way by international market forces. Instead, the external value of currencies has generally been pegged to some internationally-recognised reference point such as provided by precious metals, especially gold, or important currencies commonly used in international trade transactions, such as the £stg or the US$.

In general, three main methods of setting exchange rates have been tried at various times although no method at any time has ever found universal acceptance.

They are: (a) Rigidly-fixed exchange rates, of which the gold standard, in its various forms was the prime example.

(b) So-called "fixed" exchange rates—e.g. the Bretton Woods system between 1946 and 1971.

(c) Flexible exchange rates—a broad term covering many forms of potential exchange rate adjustment.

gold standard

Adherence to the gold standard was a firm commitment to stable exchange rates and thus the entire burden of attaining balance of payments equilibrium was placed on internal price level adjustments. Internal monetary policy in any country on the gold standard was thus automatically determined by the balance of payments. A country in balance of payments deficit lost gold (since gold was either used as curency or the currency was convertible to gold) and, therefore, was forced follow a contractionary monetary olicy (or credit squeeze in contempo-ary jargon). National governments perating under the gold standard were equired to forfeit most of their capa-ity for independent pursuit of mone-ary policies consistent, for example, with the maintenance of domestic price stability and full employment.

For two reasons the discipline imposed by the gold standard was little burden in the late nineteenth century and up to World War I. First, it was recognised to be the duty not only of deficit (i.e. gold-losing) countries to deflate, but also of surplus (gold-gaining) countries to inflate, so the burden of adjustment was not borne by deficit countries alone. Second, world trade was then expanding rapidly and balance of payments problems were normally fairly minor, requiring only small-scale adjustments. The gold standard, however, broke down under the stresses of the monetary and trade difficulties of the inter-world war period.

II

BRETTON WOODS SYSTEM

The framework of the post-World War II international monetary system, was established at a United Nations conference held in 1944 at Bretton Woods, New Hampshire, in the United States. The system was designed to overcome the major deficiencies of the international monetary systems in use before the war. The various forms of the gold standard, and the subsequent system of floating rates in the 1930s, which culminated in competitive exchange rate devaluations as national governments tried to restrict imports and revive domestic employment prospects, had created uncertainty, encouraged speculation, and were eventually self-defeating when world trade slowed markedly.

In an attempt to restore international monetary and trade cooperation throughout the non-communist world, the International Monetary Fund (IMF) was created at Bretton Woods.

Although the international gold standard ended officially in 1931, gold remained the central reference point of the Bretton Woods exchange rate system. No national currency, including the US$, any longer retained a formal link with gold in its own country. In recognition of its economic dominance, however, the United States Treasury guaranteed to convert upon request other member countries' official (central bank) holdings of US$ into gold at the fixed price of US$35 per oz. For the rest of the world, the US$ was effectively guaranteed to be "as good as gold" and the Bretton Woods system was, in reality, a gold-US$ exchange standard.

parity system

After consultation with the IMF, each member country adopted an official exchange rate (par value) for its currency expressed in terms of gold. This step produced a complex system of "parities"—the exchange value of each currency in terms of the US$, or in the case of members of the former Sterling Area, including Australia and New Zealand, in terms of the £stg. To ensure exchange rate stability, members undertook to maintain foreign exchange market rates for their currencies within one per cent above and below their par values.

A member with a balance of payments deficit had to use its central bank holdings of international reserves, principally US$ or £stg to buy the excess supply of its currency, or claims to its currency, on the foreign exchange markets to prevent its exchange rate from falling below the permissible lower limit. Central banks of countries in surplus were required to intervene on foreign exchange markets by buying foreign currencies (generally the US$) when the market rate of their own currencies approached the upper limit.

For its part, the United States needed to play only a passive role in exchange markets. As long as other countries retained confidence in the stability of the US$ and were prepared to increase their dollar holdings, United States payments deficits supplied the principal means of expanding international liquidity and thus financing the rapidly growing volume of world trade.

built-in weakness

The built-in weakness of this system was not at first apparent. While the rest of the world needed the US$ as its principal source of international liquidity, the United States could run balance of payments deficits with impunity. The only restriction on the size of the United States payments deficits, and the consequent size of US$ balances held abroad, was its obligation to convert official dollar holdings into gold at a fixed price. At first this commitment represented little burden for the United States because the value of its gold reserves at US$35 per oz was several times greater than foreign holdings of the US$. Later the situation was reversed and the commitment lost most of its meaning.

In the first few years of IMF operations the United States, with its relatively low dependence on international trade and a competitive advantage in high technology exports, was consistently in balance of payments surplus. For some countries, however, including members of the Sterling Area, the initial par values represented a major hindrance to their export growth, and thus restricted their capacity to earn foreign exchange to pay for essential imports, especially from the United States. With IMF concurrence, a major realignment of parities was arranged in September 1949. Several countries, most notably the United Kingdom, but including Australia and New Zealand (both of whose currencies remained pegged to the £stg at the previous parities), devalued substantially against the US$. Except for the adjustment of exchange rates of currencies in "fundamental disequilibrium", however, the IMF has always frowned upon devaluation as a satisfactory solution to a country's economic disorders.

Although it nurtured two decades of unprecedented growth in world trade, the Bretton Woods system, like the gold standard, eventually proved too inflexible in an era of rapid economic change and development. Protection of existing (that is basically 1949) exchange rates was regarded as a major priority of governments despite the emergence of fundamental imbalances within the system. Once they recovered from the effects of war, the Japanese and West German economies, in particular, experienced rapid export-led growth throughout the 1950s and 1960s. Aided by exchange rates for their currencies which now understated their great export potential, Japan and West Germany became increasingly influential in determining world trade flows, and their holdings of international reserves rose rapidly.

trend reversed

Although the United States continued unchallenged as the most important economic power, its balance of payments position began to turn around sharply from the late 1950s, reflecting principally its vast investment, aid, and military expenditures abroad.

Despite the 1949 devaluation the economic performance of the United Kingdom—slow growth and low productivity—continued to cause international concern. Determined to defend an exchange rate (in part because £stg was still an important element in several countries' reserves) widely-regarded as over-valued, successive United Kingdom governments were forced periodically to curtail imports and impose severely restrictive monetary and fiscal policies. With the assistance of financial support from several of the world's central banks, the United Kingdom government attempted to preserve the external value of the £stg. but eventually devalued against the US$ for the second time in November 1967. The alternative would have been further heavy borrowing abroad and adoption of strongly restrictive domestic policies, increasing the prospects of severe unemployment. Australia did not follow suit, although the $A remained pagged to the £stg at a higher parity ($A2.14 to £stg instead of $A2.50).

unrealistic rates

Devaluation of the £stg greatly weakened the fabric of the Bretton Woods system. Clearly, existing exchange rates, even those of major currencies, could not be defended indefinitely if they were widely believed to be unrealistic. As confidence in the stability of exchange rates weakened, speculative demand for gold increased and in 1968 central banks were forced to set the gold price free for commercial transactions although they continued to deal in gold between themselves at the old official price.

The increasing strains on the rigidities of the international monetary system were complicated by the massive international transfer of funds into those currencies widely regarded as undervalued. Such flows were assisted by the growth of multinational business corporations and the evolution of new institutional arrangements, such as the Euro-dollar market.

Confidence in the continuing stability of the US$ began to decline as United States payments deficits persisted. The prospect of a massive movement of funds out of US$ holdings and into gold brought into question the basis of the system. Already the formal obligation of the United States to maintain convertibility between its dollar and gold meant little in reality because United States gold reserves were now obviously inadequate to back the commitment. By early 1971, for example, the ratio of US$ liabilities abroad to United States gold reserves was of the orde of 6 : 1 and rising.

The IMF had long recognised th need to create an acceptable alternativ means of increasing international liquidity. In 1970, the first issue of a new "paper" asset, known as Special Drawing Rights (SDRs) was allocated to IMF members who chose to participate in the scheme. The SDR, which has no tangible asset backing, was at first arbitrarily fixed in value in terms of gold (SDR 1=1/35 oz gold or US. 1.00). Countries in deficit would in effect, surrender part of their SDR allocation in return for foreign exchange. Countries in surplus would absorb SDRs and give up some foreign exchange. (From July 1, 1974 the SDR gold link was abandoned and the SDR is now valued in terms of a composite (basket) of 16 currencies, representing those IMF member nations who each account for more than one per cent of total world trade)

defensive measures

A number of defensive measures adopted by the United States government in 1971, including restrictions on capital outflow, were not sufficient to restore confidence in the US$. United States reserves continued to fall and in August 1971 President Nixon announced suspension of dollar-gold convertibility, marking the end of the Bretton Woods system.

During the period of uncertainty in the wake of the United States action, many currencies severed their parity link with the US$ and floated.

The result was a general appreciation of market rates of exchange of most other major currencies against the US$–which, indeed, had been the main objective of the United States government. At the time, however, the period of floating rates was regarded as a temporary expedient. The general objective was to reestablish the principles of a new, more flexible, but still basically fixed, rate system as early as practicable. Negotiations in Washington between Finance ministers of the ten principle industrial countries in the IMF (United States, Japan, West Germany, France, United Kingdom, Canada, Italy, Netherlands, Belgium and Sweden) eventually produced the short-lived Smithsonian Agreement (named after the Smithsonian Institute where the agreement was signed) in December 1971.

A realigned system of fixed rates was restored temporarily. As part of the realignment, the US$ was effectively devalued by eight per cent against gold (that is, the official price of gold was raised to US$ 38 per oz.) mainly because of European insistence that the US$ should share in the general shift in currency values. A further important decision taken in the Smithsonian discussions was the enlargement from one to 2.25 per cent in the permitted margin of fluctuations above and below par values, thereby giving a total margin of 4.5 per cent. In addition, the long-standing formal link between $A and £stg was cut and the $A was pegged for the first time to the US$ directly. In the period between December 1971 and September 1974 when the direct link was severed, there were several changes in the US$-$A parity.

capital flows

The Smithsonian realignment failed to produce the desired stability in the international monetary system. Speculative capital flows persisted and considerable pressure was maintained against the £stg. In June 1972, the United Kingdom decided not to devalue formally but to allow sterling to float, and its market value fell sharply. The US$ too, was devalued for the second time in February 1973, by 10 per cent (raising the official gold price to US 42. 20). From that time most major currencies again floated against the US$ with some intervention by central banks (that is buying and selling foreign currencies) to stabilise the foreign exchange markets.

III
POST-SMITHSONIAN INSTABILITY

The progressive breakdown of the Bretton Woods system of stable exchange rates and the apparent failure of efforts since December 1971, to restore such a system suggests that the comparatively long post-war period of predominantly fixed exchange rates has. for the time being at least, run its course. Floating exchange rates, in various guises, have become the norm rather than the exception.

Of the 129 member countries of the IMF, seven still maintain their exchange rates pegged to the £ stg and 13 are linked to the French franc, both of which are floating. Eight (West Germany, France*, Denmark, Netherlands, Belgium, Luxembourg, Norway and Sweden) are members of the so-called European "snake" restricting adjustments in their rates against each other to within a relatively norrow 2.25 per cent band but floating against all other currencies. Eleven currencies are floating with varying degress of official intervention but independently of any external measuring stick. More than 25 currencies, including the $A, are pegged to some basket of other currencies, or to IMF Special Drawing Rights. The 50 or so national currencies still pegged to the US$ are floating against all others. In oddition more than 30 countries maintain dual or multiple exchange rates, usually differentiating between current and capital account transactions.

In January this year the Board of Governors of the IMF meeting in Kingston, Jamaica, belatedly recognised the existing system of floating exchange rates. At the same time. the IMF abolished the "official" price of gold for central bank dealings. Now that gold has been demonetised, it should be no more than a metal which is valued according to market forces applyin to any industrial commodity.

So-called trade-weighted exchange rates of the type Australia has used sinc September 1974, are designed to provide stability, combined with sufficien flexibility to reflect relative changes in the strength of the currencies of majo trading partners.

The $A exchange rate is determined by changes in average values of a group of foreign currencies weighted according to their importance in Australia's total trade. Consequently the exchange rate for the $A tends to vary slightly from day-to-day against all currencies in a manner which maintains constant the weighted average exchange value.

currency basket

To prevent speculation against changes in day-to-day exchange rate movements the Reserve Bank keeps confidential the details of the currencies in the Australian "basket" and the changing weights assigned to each. The following example, however, illustrates how an exchange rate, determined under a trade-weighted system, could be held constant by central bank intervention.

Assume that two of the group of currencies in the Australian basket were the yen and the US$ and the external value of the yen in relation to the US fell by some five per cent. If trade with Japan carried a basket weighting of, say, 25 per cent the change would represent an appreciation of the $A of about 1.25 per cent. To offset this upward movement of the $A and so maintain a fixed exchange rate, Australia would need to devalue by 1.25 per cent against the US$.

Apart from some complexities in administration, trade-weighted exchange rates appear to have much in their favour compared with a fixed link to a single currency. It would be coincidental if fluctuations in the external value of the US$ or the £stg, against which Australia chose to set its exchange rate, happened to match precisely the type of adjustments in the $A rate which were in Australia's economic interests at the time. For example, the depreciation of the $A in early 1974 against all major currencies not directly linked to the US$ could have been regarded as an inappropriate change at the time caused by the $A's fixed link to the changing fortunes of another currency–and nothing to do with the performance of, the Australian economy. The "basket" system, however, embraces some of the principles of international interdependence and monetary cohesion, such as were sought after at Bretton Woods, yet it is leavened by greater discretion being given to countries in the ability to make selective adjustments to their exchange rates.

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*France has for the time being floated the franc and abondoned "the snake".

Search for an agreement

E. B. Brook Vienna

UNCTAD—IV, now-meeting in Nairobi, is making an earnest effort to coordinate international economics for improving the position of the weaker partners.

For almost all this month world leaders are discussing in Nairobi the best way to coordinate international economics for improving the position of the weaker partners, the industrially developing countries. This is by no means a new effort. The United Nations Conference on Trade and Development (UNCTAD) now meeting is the fourth of its series in some dozen years and the approach to it in board and committee meetings in Geneva has been difficult and largely without agreement.

stiff opposition

A proposal from the UNCTAD committee dealing with raw materials that loss to producers of primary products through weakening of prices for them should be avoided by placing bufferstocks in store till prices improved has met with almost flat refusal from the more highly industrialised states. The idea has met resistance not only from traders but from European governments and governments elsewhere of even the most liberal leanings.

The United States is firmly opposed to sweeping plans for locking up sizeable stocks waiting for a price rise. The knowledge that stocks would be, in fact, available although not offered on the markets would, it is considered. be enough to keep prices depressed and lead to new artificial pressures in the markets. The problem of storage space in the larger trading centres has also been advanced as a valid objection.

These objections are not deterring the proposers from continuing to stress the feasibility and justice of their scheme at the Nairobi meeting. Several producer states are in the unenviable position of being one-product traders and a fall in the price of that product—in one case, copper—is little short of a disaster. Other raw material producers are in a slightly better position through being able to offer several commodities or some manufactures on world markets, but even their position is tenuous if the price of a major product weakens. Since the number of new states in this delicate economic position is considerable the effort to push through the bufferstoks project and a new international economic plan to finance them is intense. Short of that scheme, there is insistence that the fourth UNCTAD meeting should not end without producing an agreed scheme more securely to stabilise raw material prices.

resources bank

The United States, now recovering from its trade recession, has been discussing an alternative which it is putting forward at Nairobi. It is planning to call for the formation of a new international agency to encourage private investment in producing raw materials in the newer states. The new body would probably be given a title such as an International Resources Bank. Its purpose would be to direct private capital to commercially viable investment opportunities in new states, most particularly in Africa. This idea would tie in with the United States' relatively new-found close interest in politics in the African continent where the USA, after recent events in Angola, is impelled to closer interest and more liberal sentiments for fear of Soviet and Chinese influence, especially the former.

The idea of private capital seeking investment opprortunities, even of the more helpful type, in raw material-producing areas is by no means new. It could, in fact, be described as a distinctly 19th century concept. But the concept of the proposed International Resources Bank differs from the direct investment idea in that it would issue bonds against a particular raw material and sell these bonds to investors, most likely to corporations already interested in the material being supported. The agency would pass the funds collected from investors on to the state producing the raw material in an effort to help it develop its extraction or growth and to market it.

The bank, according to the scheme, would be paid out of a share in production. The difference between this idea and the older form of economic, and, thus, possible political influence, would be that the investment would not be direct but would be made by foreign private investors through an international institution.

cold response

It is difficut to think that this proposal will raise much enthusiasm in Nairobi where the producer states through UNCTAD are seeking not only to retain full control of their own economic products but to have international assistance to store them and, as do other traders, hold them back om the markets when sales prices ave fallen to a profitless level or even elow it. The producer states appear o be seeking no more than the same apability for their management of roducts of tin, copper, managnese and other industrial essentials as the oil-producing states have vividly demonstrated they have over their liquid gold and which American and European producers of such raw materials as coal have had for generations.

It is the new producer states ill luck that, generally, they do not themselves possess sufficient bufferstock storage capacity or their own means of moving the stores when they need to put them on the markets. It is a second piece of ill fortune that they are proposing to acquire the same capability to withhold stocks of raw material essentials for a price rise at a time when the industrialised countries are still recovering from the oil producers having suceessfully and expensively succeeded in that operation.

The producer states are thus talking to buyers who have already been alarmed and who are thus in no mood to be obliging. They are also concerned over the fact that their industries are using raw materials in all forms—oil, gas, metals—so fast that, of all the primary products, only coal appears to have a long future. The most highly industrialised countries know that a time is approaching when the most important raw materials will become more difficult to obtain and more expensive to buy. The raw material supply is becoming such that careful and intelligent foresight is needed to cope with coming shrinkages of the most easily available supplies and the steadily expanding needs of sophisticated industries. This is a problem not only for the user but also for the supplier. The need for cash is tempting to the neediest producer, for him to sell if only the price is reasonable. The time will come, if restraint can be exercised in producing and selling, when prices may be considerably higher then those offered today.

The industrial nations' greatest problem is energy. This point was driven home by the oil-producers three years ago. Energy and raw materials are inextricably linked and the most easily accessible ore areas are being exhausted. Those states which sit on considerable reserves of ore are therefore sitting on the increasingly valuable and profitable asset. With the growth of industrialisation world-wide the value of ores rises steeply. For those whose prospect of any sizeable industrialisation is remote but who have the raw materials, the urge to mine and sell, or even store with international financial aid, seems to need second thought. Those possessing higher grade ores are the most fortunate; those with lower grade ores probably need an earlier sale since the expense of processing low-grade ores is slowly becoming prohibitive and it should not be forgotten that, when driven into a corner by uneconomic costs, the industrialised states, with immense resources for experiment and research, are remarkably capable of inventing substitutes.

The non-OPEC oil-producers, also are in the lucky position of being able to expand vastly their energy production within five or ten years. Thirteen countries in the non-OPEC group are likely to double their oil exports over the next four years. Since oil, being, after gas, the most easily handleable form of energy, it is likely to be the source most sought by the industrialised states, its producers are likely to need to look far for the capital requirements to cover their increases in energy output, however, large these may be. With increasingly valuable ore reserves and a great potential in oil many developing states who are members of UNCTAD should not be too depressed by Nairobi's outcome.

Romania and the third world

P. Ionescu

ROMANIA HAS been working for the development of less advanced countries through economic collaboration. Romania feels itself linked to these countries and wants to speed up their economic and social development. It affirms the new relations of genuine equality and mutually advantageous collaboration among nations for the establishment of a new international economic order. As a natural consequence of this close cooperation, Romania has participated since last February as a full-fledged member in the activities of the "Group of 77", which practically includes all developing countries of the world.

The scope of this policy of collaboration is tellingly illustrated by the fact that during the last 15 years the number of developing countries with which Romania has strengthened economic relations has trebled, standing now at over 90.

A significant role in the expansion and diversification of Romanian links with the developing countries has been played by the historic visits and meetings in recent years of President Nicolae Ceausescu with several heads of states in Latin America, Africa and Asia. These visits opened up opportunities for the expanded mutually-advantageous collaboration with the states on these continents. What could be more significant than the fact that, following the visits by the Romanian President and the meetings in Romania with the heads of a large number of friendly countries, as many as 70 government agreements and understandings of economic collaboration were signed with the developing countries, 26 with African countries, 21 with Arab countries, 12 with Latin-American countries and 11 with Asian countries. A vast and particnlarly fertile economic framework has thus been created.

At present almost 85 per cent of the total value of the cooperation contracts concluded by Romania abroad refer to developing countries, embracing some 100 objectives of mutal interest, in areas such as machine-building, mining, oil and geological research, transport, agriculture, woodworking, fishing and food industry, building and textile industry.

dynamic picture

Given below are some of the instances of collaboration between Romania and the developing countries, though the list does not exhaust the dynamic picture of the mutually advantageous economic links.

LATIN AMERICA: Argentina: An oil coke calcinating unit with an annual capacity of 200,000 tons; Peru: joint "Maquinas Herramientas Andinas S.A." society, for machine-tool assembly; Ecuador: the joint "Profaran" society, for the construction of a salicilic acid factory.

AFRICA: Egypt: the Sodium factory of Alexandria; the Helwan tractor-assembly work; the Abu-Zabaal sulphuric acid plant; the Hamrawein phosphate exploitation and enriching compound; Sudan: a cotton spinning mill; Tunisia: The M'Rate compound for phosphate extraction and processing; People's Republic of the Congo: forest and woodworking compounds of Betou and Brazzaville; a synthetic fabric factory; Tanzania: a ready-made garments factory.

ASIA: Iran: the Tabriz tractor factory, a soda ash factory; the wood-industrialisation combine of Neka; Jordan: The Zarka refinery; Iraq: a cement mill; bakeries; Lebanon: a cement mill; Syria: the delivery of a finished refinery with an annual capacity of six million tons of oil; a washing-drying installation for phosphate concentrates; a cement mill; Bangladesh: a cotton spinning mill; Philippines: a thermal-power station; India: the Gauhati and Haldia refineries; the Singareni thermal-power station; Pakistan: the Karachi refinery; Sri Lanka: a wood-industrialisation compound.

geological field

LATIN AMERICA: Argentina: oil extraction (technical assistance and deliveries of drilling rigs and oil-field equipment); Brazil: oil extraction (deliveries of drilling rigs and oil-field equipment); Ecuador: the joint "Esepas" company for oil drilling; Colombia: coking coal; Peru: the joint "Antamina" company, for non-ferrous ore extraction; oil extraction (technical assistance); Venezuela: oil extraction (technical assistance).

AFRICA: Algeria: non-ferrous ores; Morocco: copper ores; The Central African Republic: various ores, hydrocarbons, diamonds (the joint "Scaromines" company); People's Republic of the Congo: iron ores; Kenya: lead deposits (the joint "Kmil" company); Zambia: copper deposits (the joint "Mokambo" company); Zaire: hydrogeological works.

ASIA: Lebanon: iron ores; Syria: geological tapping, phosphate exploitation (the Kneifiss compound); Iran: various mining exploration and exploitation (the joint "Geomet" company); Philippines: oil extraction (deliveries of drilling installations and oil-field equipment); India: oil extraction (deliveries of drilling rigs).

LATIN AMERICA: Brazil: assembly, cooperation with the "Malves" company of Sao Paulo, of tractors and building equipment; delivery of technologies and technical assistance in pharmacy; deliveries of building equipment; Ecuador: technical assistance in mining, oil and geology; Mexico: deliveries of chemical equipment and installations; Peru: technical assistance in power engineering; Venezuela: technical assistance in agriculture and food industry.

AFRICA: Algeria: the over-raising of the K'Sob dam; Libya: the execution of public and civil constructions at Tripoli and in other localities: the construction of the Tarhuna-Beni-Walid highway: a fishermen's harbour; Morocco: the construction of the Nador harbour; The Central African Republic: the joint societies of "Carombois" and "Larombois" for wood-working, and "Somcarom" for cotton cultivation and other technical crops; People's Republic of the Congo; the modernisation of the Brazzaville shipyards; "Socoton"—a joint company for cotton cultivation and marketing; Nigeria: the joint "Nirowi" company for wood industrialisation; Senegal: extension of the Dakar airport; Zaire: the joint "Zairom" agro-zootechnical company.

other ventures

ASIA: Jordan: the construction of an oil pipeline; Iraq: the construction of the Arbil and Baquba highways; the construction of farm schools; Lebanon: the joint companies of "Sybline" (for cement production), "Socomex" (for machine-tools marketing), "Merol" (the marketing of oil products), "Prodaco" (the marketing of farm foodstuffs); Syria: Technical assistance in agriculture (land amelioration, irrigations); Iran: Hydrotechnical works; the modernization of the meteorological system; the Bandar Shahpour fishermen's harbour; sunflower cultivation; the construction of an electric line.

TRADE WINDS

Indo-Pakistan Accord

INDIA AND PAKISTAN have agreed to re-establish full diplomatic relations at the ambassadorial level "fairly shortly": The two countries also agreed to resume overflights suspended since the hijacking and subsequent blowing up of an Indian Airlines Fokker Friendship plane in Lahore. This was disclosed in a joint statement issued on May 14 at the conclusion of the three days of talks between the Pakistan government and an Indian delegation led by the Foreign Secretary, Mr Jagat S. Mehta. The two countries agreed to resume goods and passenger traffic by rail through the Wagah-Attari border.

Tariff Preferences to UK Withdrawn

The government has decided to withdraw the tariff preferences extended to the UK in two stages. In the first stage 75 per cent of the tariff preference will be withdrawn on July 1, 1976, and the final withdrawal will be effected on July 1, 1977. The preference shown to the UK was the difference between the most-favoured-nation rate of duty and the UK preferential rate. The question of preferences extended to the UK in India's tariffs was engaging the attention of the government following the termination of the UK-India trade agreement with effect from February 1, 1973, as a result of UK's entry to the European Economic Community (ECC) and its need for harmonissing its tariffs with that of the Community.

Rupee—Rouble Rate

A high-level economic team will go to Moscow shortly to hold discussions there for settling the rupee-rouble rate which was hanging fire for the last many months and which acted as an impediment to the expansion of bilateral trade and commerce.

The Indian team will reach Moscow this month-end or early next month so that an amicable settlement could be reached on this ticklish issue before Mrs Gandhi's arrival there on June 8. After delinking of Indian rupee from the sterling, India has suggested to Moscow that the rupee-rouble parity rate had to be fixed in a suitable way. Since the Indo-Soviet relations, both political and economic, are in a good shape, the leadership of both the countries have decided to settle the rupee-rouble issue in an amicable way.

IMF Gold Auction from June 2

The International Monetary Fund (IMF) will auction 25 million ounces of gold over a four-year period, beginning June 2, the IMF Managing Director, Mr Joahannes Witteveen, announced on May 6. The proceeds will be used to benefit poor nations. The first sale will be 780,000 ounces, which will be auctioned in minimum amounts of 2,000 ounces at the current market prices of about $130 an ounce. Mr Witteveen said 15 other auctions would be held during the next two years at which 12.5 million ounces of gold would be sold. The rest would be auctioned in the following two years, although details on the sales may change.

IBRD Rises Interest Rate

The World Bank has announced an increase in the interest rate of its normal loans to the less-developed countries and a new formula that could lead to further increases in the future.

According to the announcement the bank's lending rate would rise immedietely from 8.5 to 8.85 per cent and after July 1 would be one-half of one per cent above the "average weighted cost of funds borrowed by the Bank in the the preceding 12 months." The rate will be quarterly.

An apparent result of the bank decision will be a slowing down of the increase in its lending. At the same time the bank's earnings will be somewhat enlarged from the amount it advances.

Indo-Iranian Cooperation

Iran and India signed on May 14, a protocol envisaging new horizons of economic cooperation between the two countries.

The protocol, signed by Mr Manucvehr Taslimi, Iranian Commerce minister, and Mr A C. George, Indian minister of state for Civil Supplies, recorded the agreed minutes of the discussions between the two countries envisaging Indian cooperation in setting up plants in Iran for processing alumina, joint ventures for production of refinery equipment and paper manufacturing facilities.

Mr Taslimi said that the bilateral economic relations were based on the discussions of the prime minister of India, Mrs Indira Gandhi and the Iranian prime minister Mr Amir Abbas Hoveyda, which envisaged the opening of new horizons of cooperation between the two countries.

The joint communique on the prime ministers' discussions, issued on May 14 made it clear that the relations between the two countries would not be on any ad hoc basis but would be established on the basis of a permanent, continuous relationship between the two countries. Mr Taslimi said that the two sides had examined a number of areas of possible cooperation and taken up those which would prove to be mutually advantageous.

Telecom Rates for W. Asia Revised

The charges for overseas telegrams, telex and telephone calls to west Asian countries have been revised with effect from May 15, 1976. Telegrams to west Asian and commonwealth countries, both ordinary and press, will cost more. It will be Rs 2 as against Rs 1.50 per word for ordinary telegrams and 50 paise per word as against 40 paise for press telegrams.

Telex calls to west Asian counties will cost Rs 72 as against Rs 54 for first three minutes and Rs 24 as agaist Rs 18 for each additional minute.

Telephone calls to the west Asian countries will cost Rs 12 more. It will be Rs 72 for the first three minutes as against Rs 60 and for each additional minute it will be Rs 24 as against Rs 20. The existing uniform telegram rate applicable to all commonwealth countries will be abolished and the rate will now be according to the geographical location of the country.

Another feature of the revision is that the telephone and telex rates will be applicable as per the geographical location of the country. At present the rates depend on whether the calls are directly put through or switched through another centre like London. This will mean a slight reduction in the rates for calls from India to European countries.

There is no change in the rates for services to countries in the American continents and other places in the western hemisphere and countries in Asia, Africa, Oceania and Europe. There will also be no change in the existing rates with neighbouring countries like Afghanistan, Pakistan, Bangladesh, Nepal, Sri Lanka and Burma.

Debt Relief to States

The centre has decided to provide relief of the order of Rs 1,990 crore to the states in debt repayments during the five-year period 1974-79.

The liberalised terms of repayment are more generous than those recommended by the sixth Finance Commission and exceed its estimates by over Rs 21 crore.

The state-wise debt relief granted is as follows: Andhra Pradesh Rs 191.82 crore, Assam Rs 154.31 crore, Bihar Rs 138.43 crore, Gujarat Rs 40.25 crore, Haryana Rs 28.80 crore, Himachal Pradesh Rs 34.05 crore, Jammu and Kashmir Rs 132.29 crore, Karnataka Rs 126.89 crore, Kerala Rs 111.91 crore, Madhya Pradesh Rs 87.65 crore, Maharashtra Rs 68.22 crore, Manipur Rs 20.85 crore, Meghalaya Rs 8.43 crore, Nagaland Rs 5.11 crore, Orissa Rs 159.44 crore, Punjab Rs 14.92 crore, Rajasthan Rs 276.88 crore, Tamil Nadu Rs. 88.39 crore, Tripura Rs 11.60 crore, Uttar Pradesh Rs 154.17 crore and West Bengal Rs 136.25 crore.

While recommending the grant-in-aid of the revenues to states under Article 275 of the Constitution, the Commission did not take into account in its assessment the interest liabilities on their fresh borrowings during the period 1974-79 or interest receipts on fresh lendings by the state governments during the forecast period.

The Commission recommended that the net commitment that would devolve on the states by way of interest charges as a result of the government of India's decision on central assistance for state plans be computed by the ministry each year and that the president should be moved to raise, to the extent required, the grants payable during 1974-75 to 1978-79 under Article 275 of the Constitution.

In the case of the states which did not qualify for grants-in-aid in terms of the Commission's award, the net commitment on account of interest liabilities on fresh borrowings and lendings has to be set off against the surpulses as assessed by the Commission and the net deficit, if any, has to be given as grant-in-aid under Article 275 of the Constitution by a Presidential Order.

The state governments and the accountants general have been asked to furnish data regarding actual loan receipts and disbursements during 1974-75. Necessary action for the issue of the Presidential Order will be taken as soon as the requisite information becomes available and is examined in the Finance ministry.

Govt. Directors for Bird & Co.

In order to effectively safeguard the interest of the Company and the public-interest the government has appointed the following directors for Bird and Co. Mr J Mallick, Chief Judge, City Civil Court (Retd), Calcutta; Miss Roma Mozumdar, Commissioner of Commerce and Industries and Secretary to the government of West Bengal, Calcutta; Mr PK Sen, General Manager, United Bank of India (UBI), Calcutta; Mr Bikash Roy, Managing Director, Lagan Jute Machinery Co Ltd., 24B, Park Street, Calcutta; Dr G.R. Kulkarni, Planning Manager, National Organic Chemical

Directorate of Purchase and Stores, Department of Atomic Energy Bombay

Due date of tender No. DPS/RRC/EEQ/80 to be opened on 17.5.76 for Relay Panel and Relays for the protection of Alternator—1 No. extended upto 3 pm on 31.5.76

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Industries Limited, Bombay. The directors will hold the office for a period of three years with effect from May 12, 1976.

Modernisation of Sick Units

The union government has approved a scheme of a new line of credit under which Rs 100 crores will be dispersed during the current year for modernisation, renovation and rehabilitation of jute, sugar, cotton textiles and engineering industries. The money will be advanced by the Industrial Development Bank in collaboration with other term-lending institutions. The amount will be raised in subsequent years. It is estimated that over Rs 1,500 crores will be required to modernise the sick industries in the country.

Study Panel for Backward Areas

The government has constituted a committee under the chairmanship of Mr T.A. Pai, minister for Industries and Civil Supplies, to consider steps necessary for the development of backward areas in the country.

Mr A.C. George, Mr B.P. Maurya and Mr A.P. Sharma, ministers of State in the ministry, Mr R. V. Raman, Secretary, Industrial Development, Mr Mantosh Sondhi, Secretary, Heavy Industries, Brig Sawhney, Secretary, Technical Development, and the Development Commissioner for Small-Scale Industries, will be members. Mr P.C. Naik, Joint-Secretary, ministry of Industrial Development, will be Secretary of the committee.

The committee will make a study in depth of the concessions and incentives so far granted for the development of backward areas, and consider further steps necessary for uniform growth of these areas. It will identify the local skills and the nature of industries which could exploit them. It will make its proposals after discussions with financial institutions, lead banks and state governments.

Development of Sikkim

The major thrust of the economic programme in Sikkim's Annual Plan for 1976-77 would be on rural development. Adequate emphasis would be laid on agriculture and allied sectors, village and small industries and the exploitation of the mineral and forest wealth of the state. For the current financial year Sikkim's Plan has been approved with an outlay of Rs 122 million as against a provision of Rs 63.1 million for the previous year.

The main objective of the development programmes for Sikkim is to improve the economic conditions of the rural population for some time. This will continue to be the priority. Gradually, the exploitation of minerals and forest wealth will also be taken up and there would be a major thrust in the developmental activity—as in agriculture. The agricultural programmes aims at achieving an intensive and scientific cultivation of 76,000 hectares now under cultivation. During the current year high yielding maize would be introduced in approximately 2800 hectares and apple orchards would be developed in the high altitudes. Sweet potatoes would also be introduced in suitable areas at high altitudes.

Research and development programmes suggested, include the setting up of a research sub-station at Shillong by the Indian Council of Agricultural Research and of a soil testing laboratory in the state.

At present there is no medium irrigation project on land or under investigation. Provisions to locate potential sites for both flow and lift irrigation in the state have been planned in the current fiscal year budget.

Effect of Interest Rates on Bank Credit

The incidence of the increased rates of interest on bank credit, effected under the restrictionary credit policy evolved since 1973, is determined by the constitution of the borrower, the purpose of loan and the size of the bank. The size of the loan does not appear to be an important consideration. While the public sector has been virtually insulated from the effects of the increased interest rates, agriculture and small industry have been given some preferential treatment. The incidence of the increased interest rates on organised private sector industry was by no means severe, considering its overall significance.

The incidence was most pronounced in the case of private sector trade, especially wholesale trade, and service industries. This is the finding of a study on the incidence and effect of the increased rates of interest on bank credit published in the February 1976 issue of the Reserve Bank of India Bulletin.

As of December 1974, 20.8 per cent (Rs 1,227 crores) of the total bank

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One Aluminium wound 60 kvAr, 11 kv line, 3 phase, 50 Hz Reactor with 6% Impedance (381 volts choke at 52.5 Amperes full load current) complying requirement of BS : 171/1959 is readily available for sale on an attractive cost on ex-stock basis. Interested parties may contact :

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credit (accounts of credit limit of over Rs 10,000 and excluding bills) had been provided at 12 per cent or less, 63.6 per cent (Rs 3,760 crores) at between 12 and 16 per cent and 15.6 per cent (Rs 923 crores) at above 16 per cent. The weighted average rate of interest worked out to 13.9 per cent, the heaviest concentration of credit being in the interest range 14-16 per cent, accounting for as much as 43 per cent of total credit. Credit given at over 18 per cent amounted to just a little over Rs 100 crores or 1.8 per cent of total credit.

ARDC Bonds

The Agricultural Refinance and Development Corporation will be issuing the tenth series of bonds of the face value of Rs 25 crores. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. The bonds will bear interest at 6 per cent per annum payable half yearly on November 17 and May 17 each year. They will mature for repayment at par on May 17, 1986.

The bonds are guaranteed as to repayment of principal and payment of interest by the central government. They will be "Trustee Securities" under the Indian Trusts Act, 1882 and approved securities for the purpose of the Insurance Act, 1938 and the Banking Regulation Act, 1949.

The bonds opened for public subscription from May 17 to 19, both days inclusive. The ARDC reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount. Applications for bonds will be received at the Reserve Bank's offices at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, New Delhi and Patna in the forms available at the said offices as well as the offices of the ARDC located at these centres.

The issue of bonds is to enable ARDC to meet the increasing demand for financing Agricultural development. Since it started functioning in 1963 and up to the end of 1976, the ARDC has sanctioned 2,673 schemes involving a commitment of Rs 1,030 crores, of which an aggregate amount of Rs 530 crores has been disbursed.

Export of Steel Plates

Rourkela Steel Plant has the proud privilege to execute the first ever major export order for plates from India. Presently, the plant is processing 2450 tonnes of plates and 1450 tonnes of hot rolled sheets for export to Kuwait and Dubai. Supplies are likely to be completed from Rourkela by middle of this month. Rourkela, following this, would also execute another export order to Kuwait and Dubai for 1400 tonnes of plates and sheets to be completed in June, 1976.

With this total value of foreign exchange earned would come to about Rs 91 lakhs.

This is a humble beginning and Rourkela expects to contribute significantly in foreign exchange earning by further export of plates.

Rourkela Exceeds Targets

Rourkela Steel Plant has closed the month of April 1976 with 99,576 tonnes of saleable steel and 24,193 tonnes of CAN fertilizer. Compared to the targets of 83,500 tonnes and 20,200 tonnes respectively, fixed for the month, the actual production means 119.3 per cent of the targets.

In the production of hot metal and ingot steel and also ingot steel rolling, the target fulfilment was over 100 per cent.

During April 1976, the sintering plant, open hearth furnaces and plate mill have operated at the full rated capacity. It may be mentioned that the plate mill has now operated for eighth successive month at and above the rated capacity.

New monthly records of production have been established in extra hard pitch, coal-tar heavy oil and wash oil during the month. The production of extra hard pitch — a very important material for Aluminimum Industry — was 3224 tonnes which bettered the previous best of 2600 tonnes made only last month. The production of coal tar heavy oil — raw material for manufacture of carbon blocks— was 1080 tonnes which surpassed the previous best of 925 tonnes made only last month. The production of wash oil was 588 tonnes against the previous best of 540 tonnes made in January 1976. The total despatch of by products during the months was also a new monthly record of 6927 tonnes.

The Silver Eveready

The maximum price of the new leakproof silver EVEREADY is only Rs 1.80 per piece which is the lowest in the market, according to the Union Carbide India Ltd. The battery jacket is in striking silver and features the famous EVEREADY "Cat and 9" in red rectangle. The jacket is made of tough and glossy polyester compound. The jacket is rust-proof since it has no chemical reaction to water. This makes it the "ideal battery" for the humid climate of our country. Further, the jacket being non-conductive, there is no fear of short circuiting, which according to the transistor radio manufacturers is not uncommon with other expensive batteries available in the country.

Names in the News

Dr A Patani was elected President of the Indian Drug Manufacturers' Association for the year 1976-77.

Mr A. B. Godrej, Director of Godrej Soaps Pvt. Ltd has been appointed chairman of the reconstituted Development Council for Oils, Soaps and Detergents for a period of two years.

COMPANY AFFAIRS

ndian Overseas Bank

THE YEAR 1975 was a year of gratifying achievements for the Indian Overseas Bank. The banks deposits and other accounts in India and abroad registered an all time increase of Rs 19.5 crores (31.8%) from Rs 249.26 crores to Rs 328.74 crores during the year 1975, surpassing the planned expectation of Rs 70 crores, in the preceding year the overall deposit growth was Rs 40 crores (19.2%). Advances moved up to Rs 224 crores, an increase Rs 60.5 crores (37.5%). In keeping with expansion in advances and deposits the profits after tax rose by 47 per cent from Rs 111 lakhs in 1974 to Rs 163 lakhs in 1975. The directors have appropriated one crore of rupees to reserve fund, Rs 40.43 lakhs for contingencies, Rs 5.93 lakhs for bonus paid to the overseas employees of the bank and Rs 16.25 lakhs to government of India.

The banks aggregate deposits in India (exclusive of inter-bank and other liabilities not in the nature of deposits from public) moved up at an impressive rate of 33 per cent, more than double the rate (16.4%) of the banking sector as a whole. In the previous year bank's rate of growth in India was 21 per cent. The corporate performance goal set by the bank for deposit mobilisation of Rs 66 crores for 1975—was exceeded with an achievement of Rs 73.5 crores. Rural and semi-urban branches accounted for over Rs 17 crores of the increase in the year 1975 compared with Rs 10 crores in the previous year.

Advances of the bank in India rose from Rs 149.6 crores to Rs 203.9 crores, an increase of Rs 54.3 crores (38%) against Rs 27.4 crores (22%) in 1974. Procurement credit to the state and the central government absorbed for Rs 12 crores. Credits to public sector enterprises—including joint sector and cooperative sector—accounted for almost 28 per cent of the outstanding advances of the bank as at the end of 1975 against 15.6 per cent in 1974.

Resounding Increase

In implementing the 20-point economic programme, the bank advances to agricultural sector registered a resounding increase from Rs 13.5 crores to Rs 28.3 crores in 1975.

The bank's involvement in the employment promotion programme registered a good progress. Loans disbursements under this scheme amounted to Rs 43 lakhs against 16 lakhs in the preceding year. Advances to this category of borrowers moved up from Rs 9.3 crores to Rs 10.6 crores. In the field of branch expansion 65 new branches were opened this year compared to 45 in 1974. Overall, performance of the bank had been very satisfactory.

Philips India

Philips India which has maintained its magnificent record of progressive rise in production and sales for the past several years has suffered a setback in its working during 1975 largely due to the very difficult business conditions which prevailed during the year. Due to adverse market conditions consumer demand for most of the company's products was sluggish and hence sales during 1975 decreased by 3.8 per cent to Rs 592.0 mn from Rs 615.6 mn last year. The decline in sales was most marked in respect of radios and lighting fittings and accessories. However, sales of professional equipment increased.

Gross profit before tax, after charging Rs 20.0 mn for depreciation and Rs 20.2 mn for interest amounted to Rs 51.1 mn in 1975 as against Rs 115.0 mn in the previous year. The fall in gross profits is mainly due to higher raw material and operating costs resulting in low margins. Further, the reduced volume of sales and the production cuts led to a lower recovery of fixed expenses.

Same Dividend

The directors have recommended a dividend of Rs 0.95 (same as 1974) per equity share amounting to Rs 12.9 mn. Out of the proposed dividend, Rs 0.41 per equity share will be paid immediately while the balance will be paid in two equal instalments on referred basis.

Despite the world recession the company was able to achieve an export level of Rs 31.6 mn compared to Rs 33.5 mn in 1974. In 1975 the company was again a net earner of foreign exchange on current account in that the export earnings exceeded the outflow of foreign exchange on account of imported raw materials and piece parts, dividends, technical assistance fees and interest.

The government has granted the company manufacturing licences for production of intercommunication apparatus and for expansion of production of multimeters and high frequency oscilloscopes. The entire expanded production of multimeters and a large part of production of intercommunication apparatus and 50 per cent of expanded production of oscilloscopes are to be exported.

The company has also received letters of intent for expansion and export of glowswitches/starters, loudspeakers, carbon resistor caps and amplifiers. The company has also received letters of intent for production of professional microphones and diamond drawing dies.

The company has received manufacturing licence and capital goods licence for production of tape recorders krypton miners safety lamps and variable gang condensors. The production of all these items is expected to start by the end of 1976. The entire production of variable gang condensors and 40 per cent of the production of tape recorders is to be exported.

New Technology

Since the end of 1975, plant and equipment has been installed for further integration in the production of tungsten and molybdenum wire used in lamps. This will introduce new technologies in India and will help save valuable foreign exchange.

Sale of lighting fittings and their accessories were much lower than those of last year because of a general slowing down of building activity and a low level of overall investment in the country.

The world-wide recession in electronics affected the company's exports adversely which, together with reduced local requirements, resulted in curtailed production.

Production and sales of radios fell considerably in 1975. Market demand which has been stagnant during the last four years fell in 1975 by about 15 per cent. Whilst sales of record playing equipment in the home market were satisfactory, exports were below expectation.

The company continued its efforts to introduce new innovations, techniques and technologies in its various products. Rs 12.5 mn was spent on Research and Development in 1975.

Polyolefins Industry

Inspite of a sharp fall in the gross profits of the Polyolefins Industry from Rs 717.37 lakhs in 1974 to Rs 569.49 lakhs during the year ended December 1975, and in the net profits, the directors have chosen to raise the equity dividend from 12 per cent to 16 per cent for the year under review, on equity shares of Rs 100 each.

Production of high density polyethylene went down from 26,034 tonnes to 22,145 tonnes and sales from 23,499 tonnes to 22,795 tonnes. In the meantime in terms of total sales value and the excise duty the amount rose from Rs 938.45 lakhs to Rs 1101.71 lakhs.

After providing Rs 94.11 lakhs towards depreciation reserves and Rs 287.20 lakhs for taxation, a sum of Rs 139 lakhs is transferred to general reserve out of which dividends are to be paid. The interim dividend of Rs 6 per equity share absorbed Rs 43.20 lakhs and the final dividend of Rs 10 will absorb another Rs 72 lakhs making a total of Rs 115.20 lakhs for the year 1975 as against Rs 86.40 lakhs in the preceding year.

TIIC

The Tamil Nadu Industrial Investment Corporation Limited (TIIC)the oldest state-level development bank in the country,which celebrated its silver jubilee during 1974, has been making stupendous progress in its operations since, then, by extending financial assistance to a variety of industries with attractive incentives and concessions depending upon the merits of the cases.

The total assistance sanctioned during the year 1975-76 in respect of 613 applications amounted to Rs 21.35 crores, as against Rs 18.23 crores sanctioned in respect of 486 cases in 1974-75. The corresponding figure for 1973-74 was Rs 6.64 crores in respect of 165 cases.

Disbursements during 1975-76 were of the high order of Rs 13.02 crores, as against Rs 4.03 crores during 1973-74, Rs 8.24 crores during 1974-75. The assistance sanctioned was spread over all the districts of the state of Tamil Nadu as also Pondicherry. The outstanding assistance stood at Rs 50.26 crores, as against Rs 31.41 crores as at March 31, 1974 and Rs 37.67 crores as at March 31, 1975.

TIIC's assistance to units in the industrially less developed areas had also shown a significant increase during the year 1975-76, in that it had amounted to Rs 11.74 crores in respect of 291 applications as against Rs 3.29 crores in respect of 68 applications and Rs 9.12 crores in respect of 184 applications during the years 1973-74 and 1974-75 respectively. The amount of assistance to backward areas had amounted to 55 per cent of the total sanctions during the period under review.

Small-Scale Sector

Assistance to small-scale sector sanctioned during the year ended March 31, 1976 amounted to Rs 7.07 crores in respect of 495 applications, compared to Rs 2.43 crores in respect of 124 applications and Rs 6.68 crores in respect of 393 applications during the previous years of 1973-74 and 1974-75 respectively. TIIC's assistance under a foreign exchange line of credit to the extent of Rs 18 crores extended by the International Development Association (IDA) to all the SFCs in the country had amounted to Rs 3. 74 crores during 1975-76, as against Rs 0. 91 crores in 1973-74 and Rs 2.90 crores in 1974-75.

The total cost of the projects assisted during the period under review had amounted to as much as Rs36.62 crores. TIIC's assistance, therefore, had amounted to 58 per cent. The projects assisted would provide direct employment to about 12,700 people and when in full production they would produce goods and servies alued about Rs 123 crores n the near future.

Elgin Mills

The performance of Elgin Mills during the year ended Decemper, 1975 has pushed the company into deeper losses over those in 1974, with a fresh deficit of Rs 56.77 lakhs against Rs 23.44 lakhs. This is despite the gross sales looked up to Rs 15.99 crores against Rs 15.37 crores.

The deficit has been arrived at after setting aside Rs 33.36 lakhs (Rs 40.77 lakhs) for depreciation and nil (Rs 9 lakhs) for development rebate reserve. After certain adjustments there is a balance of Rs 42.99 lakhs to be carried forward. The directors have decided to pass over the dividend for the second year in succession. The last payment of dividend of 10 per cent was in 1973. Even the payment of the preference dividend is being withheld.

The company is likely to show some improvement in the current year, if the anticipated government measures materialised.

Syndicate Bank

The net profit of the Syndicate Bank improved from Rs 152.13 lakhs in 1974 to Rs 155.22 lakhs in 1975 showing an increase of Rs 3.09 lakhs. Out of the net profit a sum of Rs 45 lakhs has been transferred to the statutory reserves, Rs 86.50 lakhs to provisions for contingencies and Rs 23.72 lakhs to the central government (6.5% of the compensation amount paid by government to the erstwhile bank).

The deposits of the bank have increased from Rs 426.06 crores to Rs 536.60 crores during the year, resultingin an increase of 25.91 per cent. A notable feature of the bank's performance is the collections made by way of small savings. The collections under small savings schemes like the Pigmy and the Adarsh exceeded Rs 39 crores. Under savings bank the deposits increased from Rs 108.02 crores to Rs 132.74 crores, showing an increase of 22.4 per cent.

Priority Sectors

The total advances of the bank moved up from Rs 281.37 croees to Rs 381.09 crores—an increase of Rs 99.72 crores. The share of priority sectors in net total advances (excluding food procurement credit) is 48 per cent. The advances to priority sectors rose from Rs 130.98 crores to Rs 170.11 crores covering 3.66 lakh accounts. Agricultural advances amounting to Rs 50.24 crores were spread over 2.28 lakh borrowers, mostly small farmers. Advances to priority sectors and public sector undertakings together accounted for 63 per cent of the total advances of the bank. Advances to small scale industries and transport sector increased from Rs 49.05 crores to Rs 66.19 crores. The magnitude of the bank's assistance to educated unemployed for self-employment was of the order of Rs 8.71 crores. The bank continues to occupy the pre-eminent position in the banking sector in respect of advances under Differential Rates of Interest Scheme. The bank has advanced Rs 144.72 lakhs under this scheme covering 31,805 accounts. These accounts are of persons from neglected sections of the society such as vegetable vendors, basket makers, potters, fish vendors and small farmers, etc.

The bank opened 67 new branches in 1975, of which 41 were in rural and semi-urban areas and 15 in metropolitan areas. The bank ended the year with 778 branchas. As on today, the bank has 791 branches, of which 531 branches are located in rural and semi-urban areas.

The bank's paid-up capital amounted to Rs 141.97 lakhs. With the transfer of Rs 62.51 lakhs to the statutory reserves and Rs 13.01 lakhs to other reserves, the banks Reserve Fund and other rererves as at the end of the year amounted to Rs 361 lakhs.

Hoechst

The directors of Hoechst Dyes and Chemicals have recommended a bonus issue in the ratio of two bonus shares for every five equity shares held by capitalising Rs 54 lakhs from the general reserve No-1, subject to the approval of Controller of Capital Issues. The directors have also recommended a final equity dividend of 11 per cent per annum absorbing Rs 14.85 lakhs with which the interim dividend of 6 per cent claiming Rs 8.10 lakhs, will make a total annual dividend of 17 per cent aggregating to Rs 22.95 lakhs as against 12 per cent (Rs 16.20 lakhs) paid during the preceding year. The proposad dividend (17%) is payable out of the earnings of Rs 3.97 per equity share while the previous years dividend (12%) was paid out of earnings of Rs 6.39 per share.

Sharp Rise

The financial reserves of the company have reported a sharp rise in the total sales from Rs 40.46 crores to Rs 45.25 crores, an increase of 12 per cent, but side by side there has been fall in the gross profits from Rs 311.82 lakhs to Rs 179.82 lakhs, in the year ended December 1975. After providing Rs 9.75 lakhs (Rs 7.20 lakhs) for depreciation, Rs 116.72 lakhs (Rs 219.50 lakhs) for taxation and nil (Rs 60,000) for development rebate reserve, the directors have transferred Rs 30.58 lakhs (Rs 69.63 lakhs) to general reserve No.-1 and Rs 14.85 lakhs (nil) to general reserve No. 2 leaving nil Rs 16.20 lakhs to be carried forward.

News and Notes

Voltas Limited have just completed a shipment of 15 diesel fork-lifts to Soviet Russia. The fork-lifts are specially engineered and equipped for extremely cold conditions. They are fiitted with exhaust gas purifiers and hydraulic load clamps and are suitable for twin-deck operation inside ship-hold. The order represents a major break-throguh, as this is the first time that Soviet Russia has ordered sophisticated engineering equipment from this country. Voltas, has already sold some 150 fork-lifts in international market.

Gujarat State Fertilisers Ltd has reported record production sales and profits during its nine months working from April to December 1975. Production of fertilisers during 1975 amounted to 335,670 tonnes and of caprolactum 10,238 tonnes. The total sales during the period under review touched an all time record of Rs 88.20 crores as against Rs 81.69 crores in the 12 months period of 1974-75. The sharp increase in the gross profit from Rs 25.85 (1974-75) to Rs 28.99 crores in April-December 1975 enabled the directors to step up the equity dividend from Rs 12 a share on 99,766 equity shares for 1974-75 to Rs 15 a share on 11,99,688 equity shares for the nine month period, making it 20 per cent per annum.

The company has planned to go in for a new fertilisers plant near Broach at a capital cost of Rs 227 crores, for which they have already received a German credit of Rs 72 crores. Gujarat government will also be a participant in this new project.

Board of directors of **Good Year India Ltd** have recommended the issue of bonus shares in the proportion two bonus shares for every five equity shares held by members subject to the consent of the Controller of Capital Issues.

New Issues

Polymer Papers Ltd is entering the capital market on May 24, with a public issue of 159,300 equity shares of Rs 10 each at par. The company is setting up its plant at Faridabad, Haryana, for the chemical impregnation, processing and conversion of technical filter papers with a licenced capacity of 400 tonnes per annum. The project is being set up with the technical collaboration of M/s Carl Schleicher and Schull of West Germany, who are the leading manufacturers of this item in Europe.

Initially, the company will be undertaking impregnation conversion of technical filters for industrial use. The project at its completion would cost Rs 60 lakhs. The company will have no problem in marketing its product as the present requirements are largely met from imports. The project will save the country foreign exchange to the tune of Rs 15 lakhs to Rs 20 lakhs when in full production. Considerable progress has been made in the implementation of this project and the trial run will be made by the end of May 1976.

Mono Garments Ltd, an export-oriental-unit is raising fresh capital to double its factory capacity to fulfil the demand. The company with a share capital of about Rs 4 lakhs is offering 100,000 equity shares of Rs 10 each at par from May 19. The issue, being managed by the Merchant Banking Division of Bank of Madurai Ltd has been underwritten fully by the bank and the Karnataka Industrial Development Corporotion. With the fresh capital, the company proposes to add 50 more new machines and increase the capacity to 1000 pieces per day shift. The company during the year ending June 1976 is expected to make a profit of Rs 5 lakhs, out of a total sales of Rs 40 lakhs.

New Registration

Two hundred and thirty-one companies were registered, under the Companies Act, 1956, during January 1976 as compared to 219 in the previous month. The total authorised capital of the companies registered amounted to Rs 27.16 crores as against Rs 31.81 crores in December 1975.

Of the registered companies four were government companies with an authorised capital o Rs 11 crores. Among the 227 non-government companies, 14 were public limited companies, and 213 private limited companies with an authorised capital of 4.69 crores and 11.47 crores respectively.

"Processing and manufacturing" group accounted for the largest number viz. 143. In this group Maharashtra reported largest number of companies 55, followed by West Bengal-40 and Delhi-35 respectively.

Twenty three companies comprising of six public limited companies and 17 privated limited companies, with an authorised capital of 38.42 lakhs ceased production during the month of January 1976.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Spencer & Co.	June 30, '75	12.0	11.0
United Carbon India	Dec. 31, '75	12.0	4.0
Sirpur Paper	June 30, '75	10.0	8.5
Jaya Bharat Credit & Investment Co.	Dec. 31, '75	12.0	10.0
Same Dividend			
South India Steel and Sugars	June 30, '75	Nil	Nil
Pudumjee Pulp and Paper Mills	Dec. 31, '75	10.0	10.0
HES	Dec. 31, '75	10.0	10.0
Arunoday Mills	Dec. 31, '75	12.0*	12.0
Travancore Electro-Chemical	Dec. 31, '75	15.0	15.0
Reduced Dividend			
Upper Ganges Sugar	June 30, '75	Nil	12.0
Permanent Magnets	Dec. 31, '75	Nil	5.0
Sivanandha Mills	Dec. 31, '75	Nil	12.0

*On the enlarged capital.

Ministry of Defence Indian Ordnance Factories

General Managers of the follow-g factories invite separate sealed nders/applications for supply f the following items :

mmunition Factory, Kirkee, oona:

(1) 4030 litres of Oil insulating or transformers and switchgear.

(2) 144 Nos. of Cast Iron retort or mansfield oil gas furnace.

(3) 26,700 Nos. of Container gniter as per Drg. No. S4/11520/E/-668 dt. 16.5.60.

(4) 16 Nos. of Tyre 11.00 x 38, 6 PR.

(5) 4480 Kgs. of Brass Strip 0.58 mm ± 0.013 mm thick x 35.6 ± 0.25 mm wide hardness 55 to 75 VPN. Speen. DEF 105-A May 1960. (Latest issue).

(6) 1400 Kgs. of Potassium Perchlorate Crystal Specn. J.S.S. 1018.

Closing date 15.6.76 for item 1 & 2; 25.6.76 for item 3; 29.6.76 for 4 & 5 and 2.7.76 for item 6.

Tender forms available @ Rs. 2/- each item upto 28.5.76 for item 1 & 2; 8.6.76 for item 3; 11.6.76 for item 4 & 5, 15.6.76 for item 6 by M.O. Money order receipt should accompany the tender froms.

High Explosive Factory, Kirkee, Poona:

Spare part for SA POT Concentration unit :

(1) Silicon Iron Stirrer Puddle as per Drg. No. SAC/04/14 and also Drg. No. SAC/04/04—5 Nos.

(2) Silicon Iron Stirrer branch liner as per Drg. No. SAC/04/09 —5 Nos.

Closing date 2.7.76.

Tender forms available @ Rs. 2/- by M.O. upto 14.6.76. M.O. receipt should accompany the application for tender forms.

Ordnance Cable Factory, Chandigarh:

(1) Reel 25 kgs. as per drg. No. OCF SK-242 (2) Reel 200 kgs. with flange dia 600 mm as per OCF Drg. No. SK-20-A (3) Reel 40 Kgs. as per OCF Drg. No. SK-233 (4) Reel 15 kgs as per OCF Drg. No. SK-843. 100 Nos. each.

Closing date 17.6.76.

Tender forms available @ Rs. 10/- upto 16.6.76 by Cash or M.O. only.

Ordnance Factory, Ambajhari, Nagpur :

T. No. 4063/M-3/76-77/3022 (1) Boxes packing (wooden) transit as per Drg. No. FS-61D.—Qty. 2100 Nos.

(2) Wooden packing Box to Drg. No. SM-137. Qty.—5200 Nos.

(b) T. No. 4063/M-2/76-77/2018. Cylindrical Roller Bearing NJ 248, (240 × 440 × 72). Qty. 3 Nos.

Tender forms available @ Rs. 5/- each item by Crossed Postal Orders upto 28.5.76 respectively. Request for tender forms will not be entertained from firms who are not either registered with this factory or with DGS &D or NSIC. Requests for tender forms from firms registered with DGS &D or NSIC should be accompanied with photostat copy of proof of registration issued by the DGS &D or NSIC.

Ordnance Factory, Khamaria. Jabalpur :

(1) Tape Cotton White Medium unroofed 22.2 ± 1.6 nm wide to Specn: JSS 17101. — 33500 Metres.

(2) Leather Chamois Skin Grade 'B' 457 mm × 457 mm to specn : IND/TC/3931. —640 Nos.

(3) Felt Woollen White unproofed Medium Hard variety 1320.8 mm wide × 13.0 mm thick, specn. IS—1719-1969 (First Revision). 150 Metres.

Copy of the specification can be had from the Chief Inspector of Military Explosives, Kirkee, Poona-3 for item (1) and from Chief Inspector of Textile and Clothing. B.N. No. 294, Kanpur for item (2) on advance payment of Rs. 6/- by M.O.

Closing date 18.7.76.

Tender forms available free on application upto 17.6.76.

Separate applications required for each item.

Cordite Factory, Aruvankadu:

(1) Line Sheeting—Size: 4.76 mm. Metres : 924.

(2) Batteries Locomotive (76 volts exide iron clad motive power battery consisting of 38 ILF ii type cells assembled in a hard wood tray complete with all components viz intercell connectors, terminal take-offs, dry and uncharged, approx. overall. dimensions 1000 mm long 690 mm x 465 high capacity: 235 Ampere hours at the 5 hour rate of discharge). Set : 1.

Tender forms available free upto 7.6.76 & 8.6.76 for items 1 & 2 respectively.

Ordnance Factory, Dum Dum, Calcutta :

Steel Strip 6.50″ wide x 0.075″ to 0.885″ thick to specn. BS·1449 Pt. 3A HS-228 or HS-22C Alternatively : Steel to specn. BS-1449 Pt. 18 HRP-5B or HRP-5C sheet 0.075″ to 0.085″ thick to size 8′ x 4′ or 6′ x 3′. Qty : 5700 Kgs.

Tender forms available @ Rs. 5/-.

Opening date : 1.6.76.

Gun Carriage Factory. Jabalpur:

TE No. 75/350/56A : (1) Saddle Base to Drg. No. D6p-130401-01 Sht 2/- (MN-3462). (2) Arm Right to drg. No. D6p-100201-01 Sht 2/ (MN-3273), (3) Arm Left to drg. No. D6p-100101-01 Sht 2/ (MN-3282). (4) Spade Left to drg. No. D6p-320001-06. Sht 2/- (MN-3281) (5) Spade Right to drg. No D6p-330001-02 Sht 2/- (MN-3284). Qty. Required : 75 Nos. each.

TE No. 75/460/56B; Oil Creosote Type I for preservation of Timber Specn: IS-218/1961 Cat No. H-1(c)/8030—000014

Qty. 20736 Litrs.

TE No. 75/599/56B : Aluminium Alloy Sheet 18 SWG (1.25 mm) thick x 3′ x 8′ or 0.9144 Meter x 2.438 Met. to specn: IS Grade "SIG" or NS-3 in 'C' (annealed) condition. — 2376.00 Kgs. Closing date 17.6.76.

Tender forms available @ Rs. 5/- by Postal Order upto 16.6.76.

Machine Tool Prototype Factory, Ambarnath :

(i) Compound case hardening Hoghton Quick Light 'A'.

(ii) Steel Castings.

Closing date : 15.6.76.

Tender forms availble @ Rs. 5/- each item by Postal Orders upto 25.5.76.

Ordnance Factory, Chanda :

T. No. 1518/Advt./45/PV: Connecting Pin (Steel) to Drg. No. ARDE 1136 Detail No. 25 A.L. No. 253 E 1/2 Dt. 25.8.75. Nos. 21840.

T. No. 1518/Advt/1/PV : (1) Fire Resisting Paint Grey (Paint PFU Heat and Fire Resisting Light Grey) Specn. IND/ME/620. Lits. 700. (2) Plate Top to Drg. No. ERDL-650 Detail No. 3 (Material—Aluminium Alloy). Nos. 15840.

(3) Felt Woollen Unproofed Medium Hard Variety—1320 mm x 3 mm Specn. IS 1719. Metrs. 1000.

(4) Wire Electric 7/0.19 mm Tinned Copper Flexible Lead Insulated with Polythene Dia over Insulation 1.40 mm to Specn. DEF. 12. Metres. 18400.

Closing date 30.6.76.

Tender forms available @ Rs. 10/- each item by Crossed Postal Orders upto 26.5.76.

Ordnance Factory, Muradnagar :

(1) 3 Nos. Two Spindle Drilling Machine drilling capacity in steel 19 mm.

(2) 29 Nos. Portable Bins 0.5 cubic meter capacity.

(3) 22 Nos. Pneumatic Sand Rammer Weight of Sand Rammer 9 Kgs. approx.

Closing date 24.6.76.

Tender forms available @ Rs. 10/- each item by Money Orders upto 24.6.76. M.O. receipt should accompany the application for tender form.

Ordnance Equipment Factory, Kanpur :

(1) T. No. PV/143; Eyelets Metallic Boot Black. Specn. No. IND/GS/1365. Dozen. 363600.

(2) T. No. PV/144 : Brass screw wire No. 2. As per US/Drg. No. CIGS/GS-5/3. Kgm. 4950.

(3) T. No. PV/142 : Oil Soluble Quenching Houghton 'B' No. 2. Specn. No. IS : 2664-1964 with amendment No. 2 of July 1967 for compound adhesive. Litres. 11000.

(4) T. No. PV/95: Rope Cotton Cable Laid 3 Strands O.G.

51 mm—Specn. No. IND/TC/2242(c). Metres. 5100.

(5) T. No. PV/73 : Canvas Jute Spl. grade 'B' 650 mm wide. Metres. 5000 (i) Wt/sq Metres. 650±40 g. (ii) Ends/dm. 140. (iii) Picks/dm. 70 (iv) BS (100 mm×200 mm) Warp-270 Kg. Weft—290 Kg. Weave-Oxford. Metres—5000

(6) T.No. PV/45: Pins Heel 32 mm Rust-proofed (suitable for use in KOVO Nailing M/C No. 042221/P1) Specn No. S.T.S.—Kgms 3600.

(7) T.No. PV/46: (1) A.D.A.—ID-BATH—Kgms. 11300. (2) Phosdine 62-40 —Kgms. 6510 (3) Phosdine Starter 62-07—Kgms. 2490. (4) Rustodine 62-170—Kgms. 11400.

(8) T. No. PV/150; Duck Cotton 475 Gms. Scoured W.P. & R.P. in White Shade. 91 cms wide—Mtrs. 9500. Specn. No. IS: 1422-1970 variety No. 3 and schedule No. TG-11-A/7. Closing date: 1.7.76.

Tender forms available @ Rs. 5/- each item by Crossed Postal Orders.

Ordnance Factory, Kanpur:

(1) T. No. T/229/Cap/MWO: Four Wheeled Trailers 5 Ton capacity as per OFC Drg. No. 2043 and Specification.—5 Nos.

(2) T. No. T/230/Cap/MWO. Conversion of Boiler OFC No. 4623, 4624, 4625 from double oil system to single oil system with burner assembly and other accessories as per OFC specification.

(3) T. No T 47/Advt/PV: (i) Thermostat non inductive or locked Rotor current type WRR 18418 G.—4 Nos. (ii) Thermostat non inductive or locked Rotor current type WR-14500 G.—4 Nos. (iii) Spares for electrical hearth furnace 400/440 V. 3 Phase, 50 Cycles, 80 KW, A.F.O. Rotary Switch 600 Volts A.C. 3 Phase 120 amps. type NASV. 600 Volts. —2 Nos. Closing date: 8.6.76, 18.6.76 & 15.6.76 for item 1, 2 & 3 respectively

Tender forms available @ Rs. 5/- each for item 1 & 2 and Rs. 10/- for item 3 by Postal Orders.

CORRIGENDUM

Ordnance Equipment Factory. Kanpur:

(1) The closing date for tender No. PV/1306/RP reg: supply of Web Thick O.G. (Sc-314) 32-MM—Metres 11700 has been extended to 28 6 76.

(2) The closing date for tender No. PV/50/RP reg: supply of Web Thick O.G. (Sc: 314) 82 mm—16700 Metres has been extended to 15.7.76.

(3) Tender No. PV/27/1326 reg: Drill Cotton may be treated as cancelled

Note: Further details and specifications etc. will be supplied alongwith tender forms. Tender fees are non-refundable For further details Indian Trade Journal, Calcutta may also be seen.

davp-685 (31)/76

RECORDS AND STATISTICS

Annual report of department of food

A COMFORTABLE food situation is projected for the country in 1976 in the Annual Report of the Central Department of Food.

Easy availability of foodgrains and a steady decline in their prices as a part of the process of normalisation of the price-line are among the several notable achievements of the year that has just closed.

The food situation in the country which had been difficult till September, 1974, showed a continuous improvement since then as a result of several measures taken up by the government to step up public distribution of foodgrains, to bring out hoarded stocks and enforce general fiscal and monetary discipline. The increased output of Rabi crops in the agricultural year 1974-75, the steps taken after the proclamation of emergency and the better prospects of 1975-76 kharif crops are among the various factors that have contributed to an easing of the situation, according to the Report.

Price Fall: A particularly notable achievement on the food front after the proclamation of the emergency in 1975 was the absence of the seasonal rise in prices during July-September which is generally a lean supply period.

The all-India wholesale price index for cereals recorded a fall of nearly 15 pe cent during the 12 month ending September, 1975.

The index for cereal recorded a further fall o 17.7 per cent from September 1975 to February '76.

As a result, the cereals index in February, 197 was 24 per cent lower than that of a year ago.

Public Distribution: A total of 11 million tonnes of foodgrains was distributed through the public distribution system in 1975.

All out efforts were made

TABLE II

All-India Index Numbers of Wholesale Prices
(Base: 1962-62=100)

Month	Cereals				Pulses			
	1973	1974	1975	1976	1973	1974	1975	1976
January	236	286	388	303	344	437	529	408
February	243	293	391	297	345	443	498	386
March	244	304	387		361	455	465	
April	242	327	382		360	450	458	
May	248	351	385		374	459	459	
June	254	357	387		377	459	453	
July	262	372	376		411	479	428	
August	269	391	371		405	509	432	
September	266	411	361		393	554	443	
October	267	404	342		411	556	435	
November	279	385	323		439	563	433	
December	278	376	307		430	559	412	
Annual Average	257	355	367		387	493	454	

TABLE I

Production of Foodgrains (Million tonnes)

Year	Rice	Wheat	Other cereals	Total cereals	Total pulses	Total foodgrains
1970–71	43.23	23.83	30.54	96.60	11.82	108.42
1971–72	43.07	26.41	24.60	94.08	10.09	105.17
1972–73	39.25	24.74	23.13	87.12	9.91	97.03
1973–74	44.05	21.78	28.82	94.65	10.01	104.66
1974–75	40.25	24.24	26.17	90.66	10.40	101.06

maximise internal pro- rement of foodgrains as result of which, the total ocurement of foodgrains ut of the crop of the gricultural year 1974-75 mounted to 8.1 million onnes as agains 6.3 million onnes in the previous year.

The procurement of kharif crops in 1975-76 is even more encouraging, a quantity of about 5.29 million tonnes having been procured by the end of March 1976 as against 3.2 million tonnes during the corresponding period of the previous kharif season.

There has also been a marked improvement in the stock position with government.

Comfortable Prospects: Rainfall and weather conditions for 1975-76 kharif crops was favourable, resulting in a very good kharif harvest. The production of kharif foodgrains is expected to exceed the target of 69 million tonnes. The rabi sowings also took place under favourable soil and moisture conditions. The winter rains though delayed, have been beneficial. The position of inputs like fertilisers, power and irrigation water was also much more comfortable than last year. As such, the production of rabi crops too is expected to be higher than last year. Considering the significant improvement in production and stocks with the government, the country can look forward to a comfortable food situation in 1976.

TABLE III

Procurement of Rice
(Including Paddy in Terms of Rice)

(in '000 tonnes)

State	1973-74 (Nov.-Oct.)		1974-75 (Nov.-Oct.)	
	Total quantity procured	Quantity delivered/offered to central pool	Total quantity procured	Quality delivered/ offered to central pool
Andhra Pradesh	697	410	888	463
Assam	112	—	129	—
Bihar	57	1	61	—
Gujarat	18	—	12	—
Haryana @	417	362	278	216
Jammu & Kashmir @	39	—	25	—
Karnataka	98	—	123	—
Kerala	44	—	42	—
Madhya Pradesh	208	40	151	3
Maharashtra	161	—	87	—
Orissa	214	21	55	—
Punjab @	943	899	970	956
Rajasthan	—	—	8	8
Tamil Nadu @	272	50	439	—
Uttar Pradesh	429	195	283	39
West Bengal	159	—	225	—
Goa, Daman & Diu	3	—	2	—
Manipur	1	—	4	—
Tripura	10	—	8	—
Pondicherry @	5	—	5	—
Others	—	—	Neg.	—
Total :	3887	1978	3795	1685

Record Sugar Production: The sugar season 1974-75 (October-September) has been one of outstanding achievement for the sugar industry. Production touched an all-time high of 47.94 lakh tonnes, recording an increase of about 8.46 lakh tonnes over that of the previous season.

Capacity utilisation was 106 per cent.

Sugar exports totalled 9.24 lakh tonnes against 4.05 lakh tonnes in the previous season, registering an increase of over 125 per cent. Notwithstanding increased exports, the sugar releases for consumption within the country were, more or less, of the same magnitude in the previous season.

The prices of free sale sugar generally ruled lower during 1974-75 compared to those in 1973-74. The policy of partial control on sugar was continued with the proportion of levy sugar to free sale suger changed to 65.35.

The retail price of levy sugar issued through fair price shops was kept unchanged at Rs 2.15 per kg all over the country.

Vanaspati: The vanaspati situation during 1975 was characterised by easy availability of the product throughout the country and a marked decline in its prices.

Nutrition Board: During 1975-76, the food and Nutrition Board increased the tempo of its activities in the field of nutrition and food processing. Some of the major action-oriented programmes, which received higher priority, were development of nutritious foods for supplementary feeding, fortification and enrichment of foodstuffs, processing and preservation of foods by application of modern technology and launching of educational and extension programmes for creating the necessary awareness for improving the nutritional status of the people.

Food Corporation: The Food Corporation of India continued to operate as the sole agency of the central government for procurement, import, distribution, storage, movement and sale of foodgrains. It also continued to be engaged in the handling of fertilizers at the ports, rice milling, production of nutritious processed foods and wholesale distribution of levy sugar. It has also been engaged in handling, wholly or partly, the wholesale distribution of foodgrains in the states of West Bengal, Kerala, Madhya Pradesh, Orissa, Rajasthan, Delhi, Andhra Pradesh and Uttar Pradesh as the agent of the respective state governments.

TABLE IV
Procurement of Wheat

State	1974-75 (Apr.-Mar.)		1975-76 (Apr.-Mar.)	
	Total quantity procured	Quantity delivered to central pool	Total quantity procured	Quantity delivered to central Pool
Bihar	2	..	51	..
Gujarat	21	..	17	..
Haryana	249	249	433	410
Jammu & Kashmir	7	..	19	19
Madhya Pradesh	124	9	137	..
Maharashtra	20	..	55	..
Punjab	1083	1083	2361	207
Rajasthan	127	127	185	185
Uttar Pradesh	277+42*	277	791	787
Chandigarh	3	3	Neg.	Neg.
Total :	1955	1784	4049	3472

TABLE V
Procurement of Kharif Coarse Grain

(in '000 tonnes)

Coarse kharif grains	1973-74 (Nov.-Oct.)		1974-75 (Nov. Oct.)	
	Total quantity procured	Quantity delivered to central pool	Total quantity	Quantity delivered to central pool
Jowar	150	1	257	—
Bajra	140	38	11	5
Maize	97	63	33	15
Ragi	1	—	—	—
Total :	388	102	301	20

TABLE VI
Procurement of Kharif Grains 1975-76

(in '000 tonnes)

Grain	Total quantity procured	Quantity delivered to central pool
Rice	5,026	2,366
Jowar	221	..
Bajra	14	..
Maize	33	15
Total :	5,294	2,381

TABLE VII

Procurement Prices

(Rs per quintal)

Crop	1974–75	1975–76
Paddy (Coarse variety)	74.00	74.00
Rice (Coarse variety)	115.78-125.00	117.00-127.00
Jowar	74.00	74.00
Bajra	74.00	74.00
Maize	74.00	74.00
Ragi	74.00	74.00
Wheat (all varieties)	105.00	105.00
Barley	Not fixed	65.00
Gram	Not fixed	90.00

TABLE VIII

Import of Foodgrains

(Lakh tonnes)

Year	Country of origin	Wheat	Rice	Milo	Total
1975	Australia	4.84	..	..	4.84
	Argentina	1.76	..	1.72	3.48
	Canada	4.25	..	..	4.25
	EEC	10.94	..	..	10.94
	Netherlands	0.12	..	..	0.12
	Sweden	1.66	..	..	1.66
	Thailand	..	1.30	..	1.30
	UK	0.28	..	..	0.28
	USA	46.31	..	0.89	47.20
	Total	70.16	1.30	2.61	74.07
1974		42.03		6.71	48.74
1973		24.14		12.00	36.14

TABLE IX

Index Numbers of Production

(Base: Triennium ending 1961–62=100)

Year	Rice		Wheat	
	Annual index	Five-yearly moving average	Annual index	Five-yearly moving average
1949–50	73.0	..	60.7	..
1950–51	64.9	..	61.3	..
1951–52	66.5	72.7	57.0	64.0
1952–53	71.5	73.7	68.4	68.3
1953–54	87.6	77.6	72.8	72.0
1954–55	78.1	82.1	82.2	77.7
1955–56	84.3	83.4	79.7	78.4
1956–57	88.9	84.7	85.4	81.7
1957–58	78.1	87.8	71.9	83.8
1958–59	94.2	91.3	89.4	87.7
1959–60	93.6	94.5	92.8	92.3
1960–61	101.8	98.5	98.8	97.2
1961–62	104.6	101.4	108.4	97.1
1962–63	98.2	105.8	96.8	100.5
1963–64	108.9	103.5	88.5	94.4
1964–65	115.7	100.5	110.1	98.2
1965–66	90.0	103.0	93.4	108.6
1966–67	89.6	104.5	102.4	122.3
1967–68	110.7	105.1	148.7	136.4
1968–69	116.5	111.8	157.1	160.6
1969–70	118.5	119.3	180.6	187.6
1970–71	123.8	120.3	214.2	202.3
1971–72	127.0	122.9	237.3	210.0
1972–73	115.7	123.0	222.3	217.4
1973–74	129.9	..	195.7	..
1974–75@	118.7	..	217.8	..

@Provisional.

TABLE X
Index Numbers of Production
(Base: Triennium ending 1961–62=100)

Years	Cereals		Foodgrains	
	Annual index	5-yearly average	AnnualIndex	5-yearly average
1955–56	84.0	85.2	85.6	86.3
1956–57	88.0	86.6	89.5	87.9
1957–58	81.4	88.7	81.7	89.8
1958–59	95.3	92.2	97.0	93.1
1959–60	94.8	95.3	95.2	95.7
1960–61	101.6	99.1	102.1	99.3
1961–62	103.6	100.8	102.7	100.2
1962–63	100.0	104.5	99.4	103.6
1963–64	104.2	102.4	101.7	101.1
1964–65	113.3	100.7	112.0	99.0
1965–66	90.9	104.6	89.9	102.5
1966–67	95.1	107.8	91.9	105.3
1967–68	119.5	110.5	117.1	107.6
1968–69	120.0	120.1	115.7	116.4
1969–70	127.2	128.6	123.5	124.4
1970–71	138.9	130.0	133.9	125.3
1971–72	137.5	133.7	132.0	128.4
1972–73	126.6	134.4	121.2	128.8
1973–74	138.2	..	131.5	..
1974–75@	131.0	..	125.6	..

@Provisional

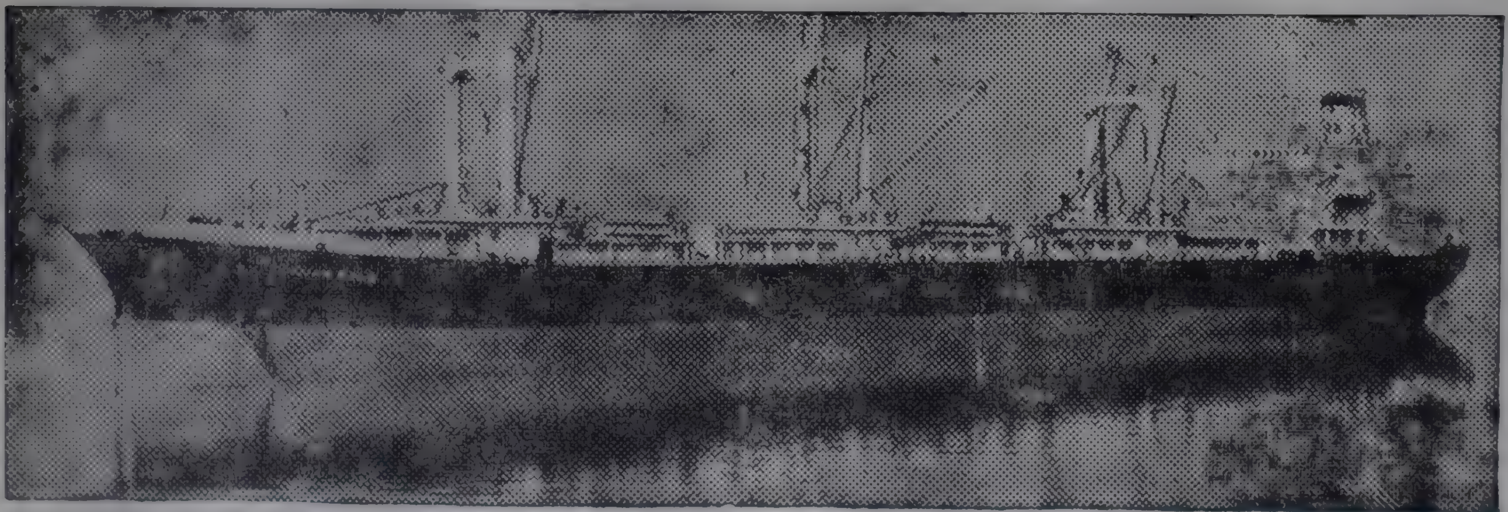

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TABLE XI
Storage Capacity Owned b
Government/F.C.I.

(in '000 tonnes

Year	Capacit
1955–56	231.6
1956–57	239.7
1957–58	264.1
1958–59	377.4
1959–60	498.4
1960-61	696.0
1961–62	1195.0
1962–63	1586.0
1963–64	1808.6
1964–65	1879.8
1965–66	1953.2*
1966–67	2009.9*
1967–68	2035.3*
1968–69	2424.9@
1969–70	2812.7@
1970–71	3451.5@
1971–72	4044.6@
1972–73	4759.0@
1973–74	5146.8@
1974–75	5344.2@
1975–76 (upto 1–11–75)	5404.8@

* Includes storage capacity transferred to Food Corporation of India

@Owned by F.C.I.

Rs 9.9 crores further relief to industry

SEVERAL TAX concessions, including exemptions for selected industries for three years from excise duties were announced by the Finance minister in the Lok Sabha on May 12, 1976 to stimulate production and investment. The cost of concessions to the exchequer will be about Rs 9.9 crores. Given below is the full text of Mr C. Subramaniam's speech.

Revised Estimate

The revised estimates for 1975-76 anticipated that the year-end budgetary deficit of the centre would be Rs 490 crores. I am happy to inform the House that the actual budgetary deficit for the year 1975-76 has turned out to be significantly lower being Rs 367 crores. As Honourable Members are aware, the original budget for 1975-76 envisaged a deficit of Rs 247 crores after a special borrowing of Rs 100 crores from the RBI which we did not eventually resort to. If we allow for this, the actual deficit is only Rs 20 crores more than the deficit of Rs 247 crores originally estimated. If we take the net Reserve Bank credit to central and state governments during the year, the position is even better. During the year 1975-76, net RBI credit to government sector, instead of showing an increase, contracted by more than Rs 200 crores. The improvement is significant as it comes in the wake of high net RBI credit to government for a number of years.

Various Suggestions

Sir, Finance Bill has been before the Hon'ble Members for nearly eight weeks. During the debate on the Budget, various suggestions have been put forward by Hon'ble Members with regard to the proposals contained in the Bill. I have also representations from members of the public, chambers of commerce and other trade and professional associations on the proposals contained in the Bill. I take this opportunity of expressing my gratitude to Hon'ble Members and to all others who have studied the proposals carefully and have made constructive suggestions. On a careful consideration of these suggestions, I have decided to modify some of my original proposals. With the indulgence of the House, I will briefly explain the principal changes that are proposed to be made in the provisions of the Finance Bill.

Fabrics: It has been urged that the new rates proposed in the Budget for superfine and fine fabrics produced by powerlooms and processed by independent processors have been pitched high and are now almost equal to the rates levied on similar fabrics produced in the composite mill sector. In order to maintain a suitable differential, so that processed fabrics of the powerloom sector are able to compete with similar fabrics produced to the composite mill sector, I propose to reduce the rates on fine and superfine fabrics manufactured in powerlooms and processed by independent processors with the aid of power from 14 per cent, as proposed in the budget, to 12 per cent ad valorem. Corresponding adjustment is also being made in respect of superfine and fine handloom processed fabrics by reducing the duty from 12 per cent to 10 per cent ad valorem. The revenue effect of these proposals regarding textiles will be a loss of Rs 1.30 crores in a full year.

Concession of Fabrics

Prior to the budget there was a duty exemption in respect of hand printed cotton fabrics which during this budget had been restricted to fabrics which were printed with not more than three colours, since fabrics printed with more than three colours were generally costlier. However, a large number of representations were received after the budget about the hardship which the hand printers, who were generally in the decentralised sector, had to undergo. Some Hon'ble Members of this House had also written to me drawing my attention to this position. As I felt there was some substance in these complaints, I hastened to pass orders restoring the original position.

Original Equipment

Tractors: It has been urged that since government have thought fit to grant excise duty concessions to passenger cars, the duty on agricultural tractors should be reduced, not abolished. The two cases are, however, not strictly comparable. Whereas the production of passenger cars had gone down steeply during 1975 that of agricultural tractors had not shown any such downward trend. However, since a number of Honourable Member expressed concern about the high price of tractors used in agriculture, I propose to exempt tyres, tubes and batteries supplied as original equipment for use in agricultural tractors from the excise duty payable on them. This measure will result in a revenue loss of Rs 2.60 crores in one full year.

Paper: A number of representations have been received to the effect that the increase in the duty on certain varieties of printing and writing paper has been very steep. Having carefully examined these repesentations, I propose to reduce the duty on certain varieties of creamlaid and creamwove paper in common use of substance not exceeding 65 grams per sq metre from 25 per cent to 15 per cent ad valorem. This exemption will result in a revenue loss of Rs 3 65 crores in a full year.

Tiles: Ever since the general one per cent duty was levied in the 1975 budget on residuary items, I have been receiving representations from manufacturers of roofing tiles for exemption from the levy of this duty. It has been represented that these tiles are exclusively used in the construction of houses occupied by families who cannot be said to be affluent and should therefore not be taxed. Considering all the circumstances I propose to exempt roofing tiles from the one per cent duty under item 68 of the Central Excise Tariff. This will result in a loss of revenue of Rs 15 lakhs in a full year.

Starch: When excise duty on starch on which one per cent duty was levied in the 1975 budget was increased to 10 per cent in the present budget, there were also a large number of representations from manufacturers especially of tapioca starch.

Exemption for starch

There are essentially two forms of starch namely, maize starch and tapioca starch, the former being produced mostly in the organised sector and the latter largely in the small scale sector. Apart from competition etc of tapioca starch in comparison with maize starch which is of a superior kind, the producers of topioca starch also complained of hardships in complying with excise procedures since their activities were on a small scale and their locations dispersed. Considering these factors I have already ordered that small units whose clearance during the preceding financial year did not exceed five lakh rupees may be exempted from duty on the first one lakh rupees value of clearance during a financial year.

By way of administrative simplification the self-removal Procedure system has also been extended to this commodity and tariff value has also been fixed for tapioca starch. I have al
exempted the duty on star
of all kinds when su
starch is used in the man
facture of glucose or de
trose.

Drugs: Patent or propri
tary medicines was one

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davp-75/697

e items on which several on'ble Members of the ouse had some comments offer. I had made it ear during the general iscussion of the budget hat excise duty on essential rugs of life saving nature ad not been increased in he buget. Since then some have suggested that there is perhaps scope for enlarging the list of essential drugs for which a concessional rate of duty is charged. I have no objection to consider such enlargement of the list. Any specific proposal for inclusion of a drug or medicine in the list of essential drugs or medicines should be taken up with the ministry of Health who if they are satisfied will no doubt recommend the case to my ministry for favourable consideration.

Reduction on Copper

Copper: In my budget proposals I had made certain adjustments in the customs and excise duties on copper mainly with a view to reduce the impact of excise duty on indigenously produced copper and to increase the import duty on imported copper. I find however that international prices of copper have meanwhile risen sharply and as a result the landed cost of imported copper is likely to be higher than that estimated at the time of the budget. In these circumstances I propose to reduce the import duty on copper from 60 per cent to the pre-budget figure of 45 per cent *ad valorem*.

Corresponding reduction will also be made in respect of certain copper manufactures and copper scrap. Since the increase in price of copper will tend to augment revenues, I do not expect that the reduction in the rate of customs duty indicated by me will result in any net revenue loss.

Duty Reduction

Steel: I have received representations about the increase in customs duty on alloy and high carbon steel. The case of cold rolled grain oriented steel which is required for manufacture of transformers and of which there is no indigenous production seems to deserve some special consideration. I, therefore, propose to reduce the duty on such steel from 75 per cent to 40 per cent. This proposal will result in a loss of Rs 2.20 crores in a full year.

Duty Relief: In my budget speech I had refferred to a new scheme of excise duty relief to encourage higher production. I had then indicated that details of the scheme were being worked out and that I expected that it would be introduced for one year in the first instance. I find however on reconsideration that a period of one year may be too short for the scheme to make its full impact and therefore propose that the scheme should operate for at least three years during which period the results achieved will be watched.

I also propose to widen the scope of the scheme to cover new units which will be set up during the current and the next two financial years, as well as to units set up in the recent past. This will confer considerable benefit to new capital intensive units. Further details of the scheme are being worked out and notifications to give effect to it will be issued in the near future.

I expect that modifications now proposed will entail a sacrifice of revenue of the order of Rs 9.90 crores in one full year. All these modifications, except those relating to starch and hand printed fabrics which have already been implemented and those relating to higher production relief, are proposed to be given effect to by issue of suitable notifications effective from today. Copies of relevant notifications will be laid, as usual, on the table of the House in due course.

Foreign Know How

Direct Taxes: I now turn to Direct Taxes. Non-resident tax-payers have hitherto not been taxed in respect of lump-sum payments royalties received outside India for the delivery of designs and drawings relating to any patent, invention, etc outside India. Under a provision in the Finance Bill, such lump-sum payments are proposed to be brought within the ambit of taxation in India. It has, however, been represented that foreign suppliers of technical know-how had entered into agreements or had finalised proposals for the receipt of such lump-sum royalties with the approval of the central government on the understanding that such payments would be exempt from tax. As the withdrawal of the exemption of lump-sum royalties in such cases will adversely affect these foreign suppliers, it is necessary to modify the scheme of taxation of royalties, contained in the Finance Bill in certain respects. I accordingly propose to provide that lump-sum payments of this type received under agreements made before April 1, 1976 and approved by the central government will continue to be exempt from income-tax in the case of both corporate and non-corporate taxpayers.

Exemption from Tax

Lump-sum payments of this type received under agreements made after March 31, 1976 would also be exempt from tax if such agreements have been made in accordance with proposals approved by the central government before April 1, 1976. In the case of foreign companies, however, this exemption will apply only if they exercise an option in this behalf. Foreign companies who exercise this option will continue to pay income-tax in respect of their remaining royalty income on the existing basis. In other words, income-tax in respect of such income will be charged at the rate of 52.5 per cent on a net basis.

The deduction on account of expenses will, however, be limited to 20 per cent of the gross amount of royalties excluding such lump-sum payments. Foreign companies who do not exercise this option will be governed by the new scheme of taxation of royalties laid down in the Bill. They will thus pay income tax at the rate of 20 per cent on the gross amount of lump-sum royalties and at the rate of 40 per cent on the remaining amount.

Non-Residents: The Finance Bill seeks to provide that income by way of interest payable by a non-resident shall be deemed to accrue or arise in India in cases where the interest is payable in respect of any debt incurred or moneys borrowed and used for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

Harsh Provisions

It has been represented that the proposed provisions are somewhat harsh. For instance, if a foreign company intending to invest in shares of an Indian company borrowed money from a bank in a foreign country, the foreign bank would become liable to Indian income-tax on the interest payable to the bank by the foreign company. As the taxation of interest in such cases would have an adverse effect on investment in India, I propose to restrict the scope of the relevant provision so that interest payable by a non-reident will be chargeable to Indian income tax only in cases where such interest is paid in respect of any debt incurred or moneys borrowed and used for the purposes of a business or profession carried on in India by such person.

Redefining Industry

Investment Allowance: Under the Bill, investment allowance will be admissible, *inter alia* in respect of machinery and plant installed in industries engaged in the manufacture of articles specified in the Ninth Schedule to the Income Tax Act. One of the items specified for this purpose is "Steel castings and forgings and malleable iron and steel castings". In order to bring out the underlying intention more clearly, I propose to redefine this industry as "Steel castings and forgings and alloy, malleable and SG iron castings".

Property: In order to remove the hardship faced by owners of self-occupied house property who are now required to furnish its fair market value in return of net wealth every year, the Finance Bill proposes to freeze the value of one self-occupied house property at its value adopted for the year in which the propetry is constructed or acquired by the taxpayer or for the assessment year 1971-72, whichever is later. It has been represented that as the market value of urban properties may fall in certain cases the proposal for freezing the valuation of self-occupied house properties with reference to their assessed value for the assessment year 1971-72 would result in hardship in such cases.

In order to mitigate this hardship, I propose to provide that the special provision for valuation of self-occupied house property will apply only at the option of the taxpayer. Hence, in cases where the market value of the self-acquired property comes down, the taxpayer will have the option to value the property at its current market value.

A Doubt

Bank Interest: In my Budget speech, I had mentioned that in view of the escalation in costs of industrial projects, interest received by scheduled banks on long-term loans granted to industry for the purchase of capital plant and machinery would be exempted from Interest Tax levied under the Interest-tax Act, 1974. A doubt has been raised as to whether interest paid on advances made by scheduled banks for agicultural purposes would also qualify for this exemption. I would like to take this opportunity of clarifying that the exemption provided in the Finance Bill is not confined to interest received on industrial advances; and all long-term loans for the creation of capital assets in India, including those used for agricultural purposes, will qualify for the proposed exemption.

New Concessions: I also propose to take this opportunity of announcing certain new tax concessions which are proposed to be implemented by moving necessary amendments in this behalf to the Finance Bill. Hon'ble Members will be glad to know that the additional facilities allowance receive by them under the Membe of Parliament (Addition Facilities) Rules, 1975 proposed to be made completely tax-free.

With a view to encouraging more liberal donations for the purpose of promoting family planning, I propose to mov an amendment to th relevant provision in the IncomeTax Act for raisin the deduction in respect o donations made to government, approved local bodie and organisations for promoting family plannin from 50 per cent to on hundred per cent of the qualifying amount of such donations while computing th taxable income of the donor

Enlarged Area

Dividends: In order to channelise corporate savings into high priority industries, inter-corporate dividends derived by domestic companies from new companies engaged in the manufacture of fertilisers, pesticides, paper, pulp and newsprint and cement were exempted from Income Tax by a provision made in this behalf through the Finance Act, 1975. I now propose to enlarge the area of this concession to include industries engaged in the manufacture of non-ferrous metals, ferro-alloys and special steels; steel castings and forgings; electric motors; industrial and agricultural machinery; earth-moving machinery; machine tools; commercial vehicles; ships; tyres and tube; heavy chemicals and industrial explosives.

List of existing paper mills as on April 1, 1976

me & Address of the Mill	Location	Capacity tonnes/year	Production during 1975
1	2	3	4
est Bengal			
itaghur Paper ills Co. Ltd., hartered Bank Bldg., alcutta.	(i) Titaghur (ii) Karinada	65,000	60,491
ndia Paper Pulp Co. Ltd., 8 Clive Row, Calcutta	Naihati	23,000	12,921
Tribeni Tissues Limited, 2, Middleton Street, Hooghly, Calcutta.	Chandrabati Hooghly	8,500	7,961
Bengal Paper Mills Co. Ltd., 14, Netaji Subhash Road, Calcutta.	Raniganj	50,000	31,905
Western India Match Co. Ltd., Indian Mercantile Chambers Nicol Road, Ballard Estate, Bombay.	Alambazar Calcutta	7,500	4,104
Shri Gopinath Paper Mills, 49/A, A.K. Mukherjee Road, Calcutta-50.	Barrannagora	1,080	156
East End Paper Industries Ltd., 1, Netaji Subhash Road, Calcutta.	Barabaria	6,000	4,501
Priti Paper Board Mills P. Ltd., 22, Burra Shibtalla Main Road, Calcutta.	Sheeraohuli	1,800	802
P.G. Paper Mills Co. Pvt. Ltd., 20, Seven Tanks Lane, Calcutta.	Calcutta	1,500	217
Indian Card Board Industries, 19, Netaji Subhas Road, Calcutta-1.	Calcutta	5,500	4,926
Everest Paper Mills Pvt. Ltd., 44-C, Chowringhee Road, Calcutta-16.	Calcutta	3,000	1,864
Uttar Pradesh			
Capital Paper Mills Pvt. Ltd.,	Ghaziabad	1,440	Nil
Star Paper Mills Ltd., 27, Brabourne Road Calcutta.	Saharanpur	46,200	34,116
Upper India Copper Paper Mills Ltd., Masjit Bobh, Lucknow.	Lucknow	4,200	1,311
Chemopulp Tissues A-4, Sect. CXII, Meerut Road, Ghaziabad.	Ghaziabad	1,700	1,373
G.T. Industries, 33-A New Marine Lines, Bombay.	Ujhani	3,000	516
Swatantra Bharat Paper Mills, 5-7, Deshbandhu Gupta Road, New Delhi.	Pilkkhua	2,000	532
Gopal Paper and Board Mills, Ghaziabad.	Ghaziabad	1,500	448
Aknos Paper Mills Pvt. Ltd., 5 Jain Mandir Road, (Annexe), New Delhi.	Ghaziabad	1,500	Nil (Closed)
Bihar			
Rohtas Industries Ltd., Dalmianagar.	Dalmianagar	60,000	49,244
Thakur Paper Mills Ltd., Samastipur (Darbhanga)	Jituarpur	3,000	942 (From May)
Ashok Paper Mills Ltd., 8 Russel Street, Calcutta-16.	Rameswarnagar	13,500	Under trial production

Contd.

1	2	3	4
Orissa			
Orient Paper Mills Ltd., Birla Bldgs. 9-1 R.M. Mukherjee Row, Calcutta.	Brajrajnagar	76,000	53,692
Titaghur Paper Mills Co. Ltd., Chartered Bank Bldg., Calcutta.	Chowdhar	18,000	19,225
Straw Products Ltd., (JK) Nehru House, 4, B.S. Zafar Marg, New Delhi-1.	Raygada	31,500	33,616
Haryana			
Venus Paper Mills Pvt. Ltd., B-38 Greater Kailash, New Delhi.	Ballabgarh Dist. Gurgaon	2,000	1,069
Ballarpur Paper and Straw Board Mills Ltd., (Shree Gopal Divn), Thapar House, 124-Janpath, New Delhi-1.	Yamunanagar	46,000	43,876
Murai Paper Mills, H-75 Connaught Circus, New Delhi.	Faridabad	1,200	1,549
Delhi Pulp Industries, Akash Deep, Barakhamba Road, New Delhi.	Faridabad	4,500	1,828
Rajendra Paper Mills, 51, New Industrial Township, Faridabad.	Faridabad	4,000	2,782
Orient Steel and Wire Industries Pvt. Ltd., (Haryana Paper), Faridabad,	Faridabad	3,000	760
Perfectpack Limited, 21, New Industrial Township, Faridabad.	Faridabad	4,000	1,204
Delhi Pulp Industries, Akash Deep, Barakhamba Road, New Delhi.	Faridabad	45,200	1,828
Rajendra Paper Mills, 51, New Industrial Township, Faridabad.	Faridabad	4,000	2,782
Orient Steel and Wire Industries Pvt. Ltd., (Haryana Paper), Faridabad.	Faridabad	3,000	760
Madhya Pradesh			
Alok Paper Industries, F/7, Industrial Estate, Polo Ground, Indore City.	Industrial Estate Indore	1,200	826
Straw Products Ltd., Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi.	Bhopal	15,000	14,515
Acme Paper Mills, (Formerly Mandidip Paper Mills) Sehare.	Sehare	3,000	1,956
Orient Paper Mills Ltd., (Amlai Bhopal) Birla Bldg., 9/1 R.N. Mukherjee Road, Calcutta.	Amlai	85,000	66,955
Gujarat			
Gujarat Paper Mills Ltd., Barejadi, P.O. Mandej, Distt. Ahmedabad.	Barejadi	6,000	2,511
Rohit Pulp and Paper Mills Limited, Rohit Chambers, Choge Street, Bombay.	Khadki	10,100	4,930
Jayant Paper Mills Ltd., Resham Bhavan, 2nd Floor, Lal Darsaja, Surat-3.	Utran, Surat	6,720	6,572
Steadfast Paper Mills Limited. Medows House, Nagindas, P.O. Bapi, Master Road, Bombay.	Gunhra	450	395
Prakash Paper Mills, Gandal, (Saurashtra).	Gandal	1,000	381

—Contd.

1	2	3	4
Speciality Paper Ltd., Merai, Via Vapi Distt., Bulsar.	Udwada	1,440	1,489
Associated Pulp and Paper Mills Limited, Bavala, (W. Rly).	Bavala	7,200	3,273
Central Pulp Mills Ltd., Fort Gongad, Distt. Surat.	Fort Sehrangarh,	6,500	6,263
Agarwal Paper Mills Pvt. Limited, G.I.S.C., Flat No. 167/168 Indl. Estate, Vapi Distt. Bulsar.	Vapi Gujarat	1,600	738
Maharashtra			
Parshuram Paper Mills, Boards Mfg. Co. Pvt. Ltd., 135-Hind Rajasthan Deptt. Centre, 95-Dadsaheb Phalke Road, Dadar, Bombay.	Tehsil Chiplum Distt. Satamgiri	2,100	602
Deccan Paper Mills Co. Ltd., Commonwealth Bld., Poona.	Han Psar	3,600	1,206
F. Pudumjee and Co. Pvt. Ltd., 60-Forbes Street, Bombay.	Bombay	1,800	1,008
Paper and Pulp Conversions Ltd., 1183-Shivajinagar, Fergusan College Road, Poona.	Khapoli	12,000	9,379
Pudumjee Pulp and Papar Mills Ltd., 60-Forbes St.,Bombay.	Chinchawad	5,000	5,200
Ballarpur Paper and Straw Board Mills Limited, (Ballarpur Div.), Thapar House, 124-Janpath, New Delhi.	Ballarpur	69,000	65,089
Providence Paper Mills Ltd., New Standard Engg. Compound, Chodaundard Road, Santa Cruz, Bombay.	Santa Cruz	510	Closed.
Premier Paper Mills Ltd., Vaswani Mansions, 10, Dinshaw Vachha Road, Bombay.	Reha (Colaba)	800	906
B.K. Paper Mills Pvt. Ltd., Kalbadevi Road, Bombay.	Kalyan Road	1,500	1,759
Ajanta Paper and Genl. Products Pvt. Ltd., Vadavali Road, Kalyan.	Vadavali	1,800	1,374
Paper Products Limited 13,14 Ajmere Gate Exten., New Delhi.	Reha	4,200	2,359
Vidarbha Paper Mills Limited, 2nd Floor, Bank of Maharashtra Building, Abhyankar Road, Citabuldi, Nagpur-2.	Kamptee	2,200	1,703
Bombay Paper Mfg. Co. Ltd., 109 Sheikh Menon Street, Bombay.	Kalyan	1,300	699
Afsons Industrial Corpn. Ltd., Fiddal Bldg., 18'Shaki Das Dandhi Marg, Princess Street, Bombay.	Kalyan	1,230	944
Laxmi Board and Paper Mills Pvt. Ltd. 23'Raman St., 3rd Floor, Bombay.	Kalyan	20,460	4,437
Balkrishna Paper Mills Ltd., Nagardas Road, Andheri (East) Bombay.	Vill. Ambivali Kalyan Dist.	4.500	2,486
Vikram Paper Mills (P) Ltd., Vadavali Post, Kalayan Distt., Thanna.	Thana	4,800	1,411
Andhra Pradesh			
Sirpur Paper Mills Ltd., Sirpur, Kagajnagar,	Sirpur Kagajnagar	61,600	38,660

—*Contd.*

1	2	3	4
Andhra Pradash Pulp and Paper Mills Ltd., Rajahmundry.	Rajahmundry	75,000	47,432
Karnataka			
Mysore Paper Mills Ltd., Bhadravati.	Bhadravati	24,000	22,319
West Coast Paper Mills Ltd., Shreeniwas House, Dr. Somani Marg, Fort, Bombay-1.	Damdelo	60,000	46,653
South India Paper Mills (P) Limited, Chikayana Chaitra. P. O. Najapud, Mysore.	Nanjanguda	6,600	4,839
Mandya National Paper Mills Ltd., 7, Museum Road, Bangalore.	Balgaula	10,800	11,680
Senapathy Whitlay (P) Ltd., 14, Netaji Road, Bangalore-5.	Ramanagram	4,920	1,488
Shri V.K. Lal, Ranjit Sales (P) Ltd., 111-A Mahatma Gandhi Road, Bombay-1.	Bangalore	450	196
Kerala			
Punalur, Paper Mills Ltd., Punalur, Travancore.	Punalur	15,000	13,753
Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., P.O. Box 37, Kozhikode.	Kozhikode	2,700	1,754
Tamil Nadu			
Seshasayee Paper and Boards Limited, P.O. Cauvery, (Salem), Erode.	Pallipalayam	35,000	32,571
Sun Paper Mills Co. Ltd., Post Bag No. 2, Cheranmahadevi, Tirunelveli Distt.	Cheran-mahadevi	15,000	11,909
Amaravathi Sri Venkatesa Paper Mills Ltd., P.O Udumalpeth, Madathulam, Madras.	Udumalpet	6,000	5,811
	Total:	1,103,570	829,101

List of Newsprint, Rayon Grade and Papergrade Pulp and Felts

Names & Address of the mill	Location	Capacity	Productio during '7
Newsprint			
M/s The National Newsprint and Paper Mills Ltd., Nepanagar (Madhya Pradesh).	Nepanagar	75,000	51,971
Pulp—Rayon Grade			
M/s South India Viscose Ltd., P.B. No. 1396, Race Course, Coimbatore-18.	Sirumughai	22,500	19,454
M/s The Gwalior Rayon, Birlkootam, Mavoor, Calicut (Kerala).	Mavoor	60,000	46,083
M/s Harihar Polyfibres, Rayon Silk Mfg. (Wvg.) Co. Ltd., Nagda (M.P.) Kumarapatnam, Near Harihar (Karnataka).	Harihar	36,000	40,872
Pulp—Paper Grade			
M/s Central Pulp Mills Ltd., 1183, Shivagi Nagar, Ferguson College Road, Poona-411005	Fort Sohangarh	22,500	2,061
Felts			
Shri Denesh Mills Ltd., P.O. Padra Road, Baroda.	Baroda	250	110
Porritts and Spencer (Asia) Ltd., 308-9, Kanchanjanga, 18 Barakhamba Road, New Delhi.	Faridabad	250	91

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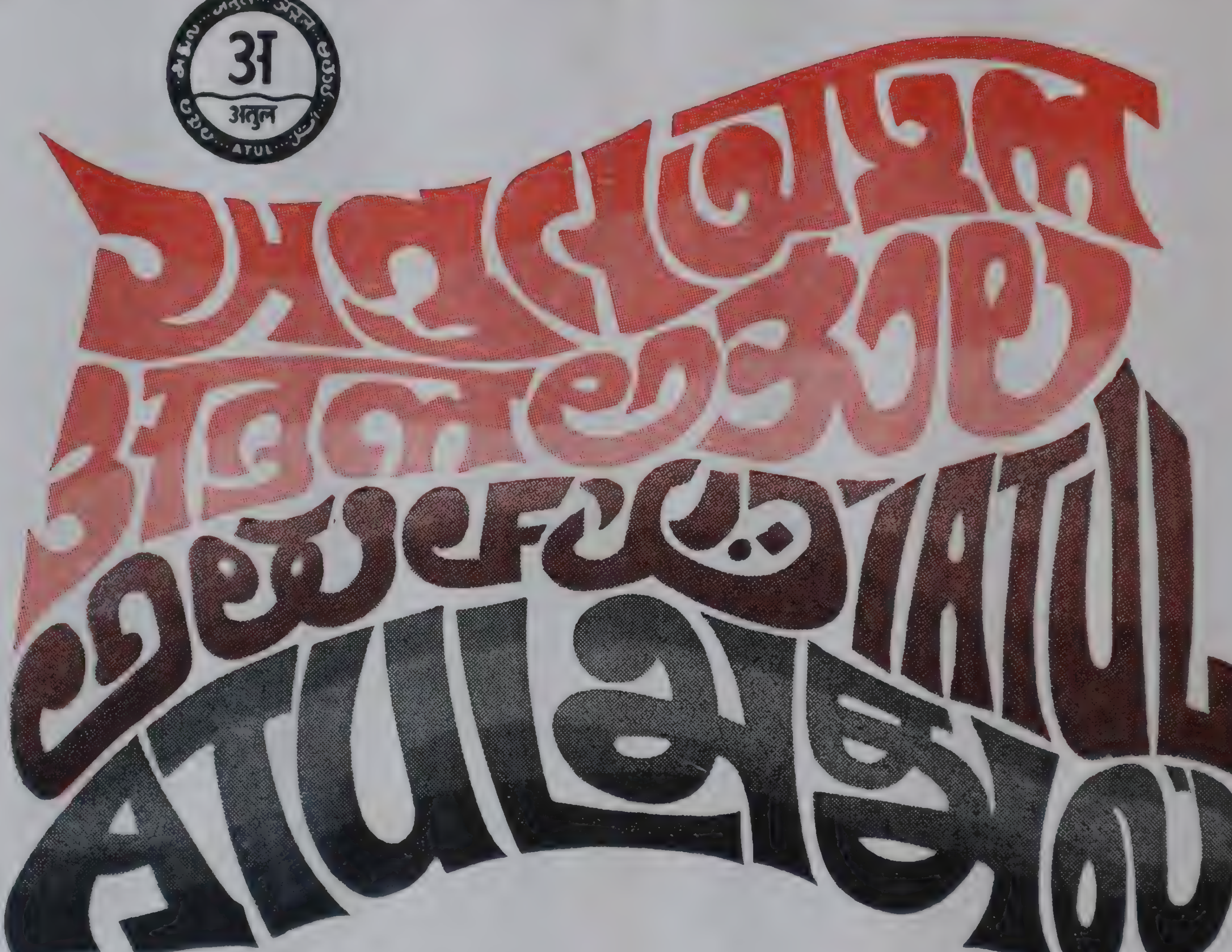

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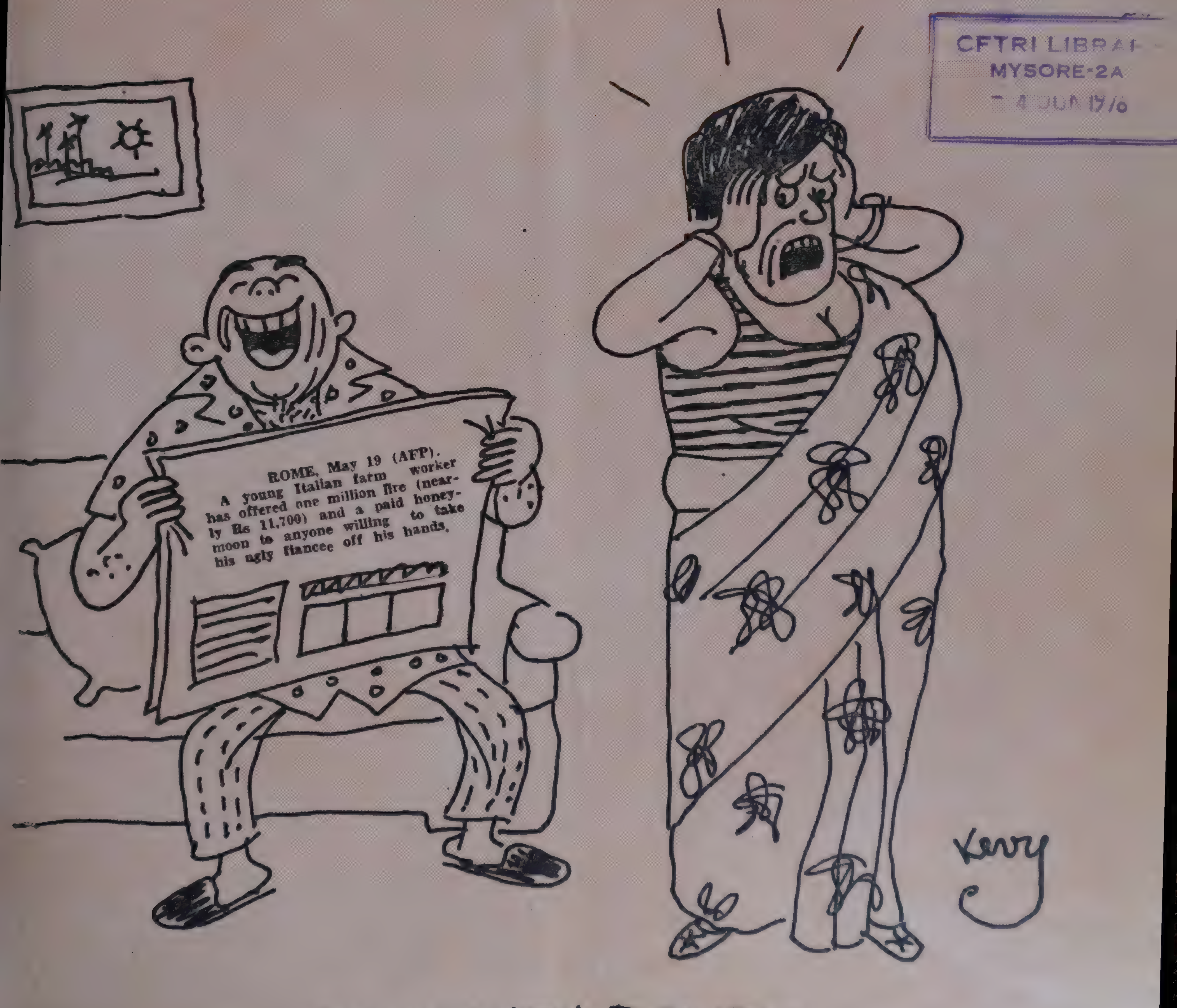

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L. 66 NO. 22 MAY 28, 1976
Price Rupees Two

ading Articles

Uptrend in Foreign Exchange erves 1161
l and Its New Goals 1162
r Demand for Industrial ducts : Why? 1163
nted : Adequate Return on pital 1164
e Lessons of Bumper Harvests 1166
apital's Corridors 1168

oint of View

pressive Expansion in Northern ates—K. R. Puri 1170

Vindow on the World

aring Profits Create Soaring vestment—Jossleyn Hennessy 1175

ooks Briefly

eveloping Water Resources Academicus 1183
pace and All About It—Kevy 1191
ooks Received 1191

rade Winds

teel Pipes & Tubes Diversi- cation; Panel for Bicycle ndustry; Ceiling on Joint roperty; War Risk Cover or Ships; Export Complex lear Palam; Central Data ank; UP Reduces Sales ax; RBI to Finance Food rocurement; Bihar Plan to evelop Key Industries; IBRD oan for Small Industries; In rief; Balance of Payments; lames in the News 1192-1194

ompany Affairs

lindustan Lever; UCO Bank; walior Rayon; Tanfort yres; Dalmia Cement; Amar ye Chem; Indian Fine lank; Modella Woollens; aekwar Mills; Gokak Patel olkart; Usha Martin Black; locil; News and Notes; New ssues; Capital and Bonus ssues; Dividends 1195-1198

ecords and Statistics

ndo-Pak Joint Statement 1200
nnual Report on Coal 1201
waran Singh Panel Report 1205

The uptrend in foreign exchange reserves

An interesting development in this country's foreign exchange account has been the appreciable increase in the value of both the foreign securities and the balances held abroad by the Reserve Bank of India. In the week-ended May 7, 1976 the foreign securities of the Reserve Bank at Rs 371.74 crores had multiplied almost three times the level registered in the corresponding week a year ago at Rs 121.74 crores. The balances held abroad by the Reserve Bank at Rs 1026.05 crores were almost 100 per cent more than the limit reached in the corresponding week a year ago at Rs 522.89 crores. This comfortable position in foreign exchange reserves has understandably been the subject of discussion in both official and non-official circles in this country because it has not been a freak phenomenon. Week after week, month after month, since June 1975 the foreign exchange reserves have moved upwards without ever looking back, under the influence of measures taken by the government.

An outstanding element in the creation of such a happy situation in our foreign exchange reserves after many years has been the change in the behaviour of Indian nationals abroad regarding remittances made by them to their relations in this country. With the closing of the clandestine channels of transferring foreign exchange, they have increasingly taken to the authorised modes of transference with the result that the inflow of invisibles had sizeably improved. The judicious changes initiated in recent months regarding the facilities for deposits of foreign currencies in our banks by Indians abroad has not a little to do with the spurt in foreign exchange reserves and it is necessary that the ministry of Finance and the Reserve Bank should take further measures which will eliminate all irritants and encourage the inflow of deposits in foreign currencies. To the extent that this inflow of foreign exchange would increase, the smuggling activities of unsocial elements would also tend to drop.

The rise in foreign exchange reserves by about Rs 800 crores should be viewed against the expected quantum of foreign aid from the Aid-India Consortium currently meeting in Paris. It is anticipated that the consortium will pledge $ 1050 million by way of aid, almost the same as in 1975-76. The improved state of our economy—bumper food harvests and five to six per cent growth in industry—have brought a favourable response from the World Bank Team which prepared a background note on this country's economy. It has made a particular reference to the control over inflation, largely through vigorous government action, and the easiness in the supply of electricity which has brought about a cheerful position both in industry and agriculture. It has also highlighted the significant improvement in employer-employee relations leading to sharp reduction in the loss of man-hours through strikes and lock-outs.

The country has a number of options open to it for making use of the increased availability of foreign exchange reserves. First, it could speed up the implementation of those projects which had been held up for the past three to four years because of paucity of resources. Second, it could encourage the establishment of joint ventures abroad because through them the pace of exports of machinery and equipment from this country could be accelerated. Third, these reserves could be utilised for the modernisation of sick units in many of the export-oriented industries. Fourth, there are certain consumer goods which have appeared on the smugglers' list; they could be imported in limited quantities to discourage their import by our nationals visiting foreign countries for short durations. The availability of these goods may tend to discourage their import through illegal means as well. But any import policy relating to consumer products will have to take into consideration the state of domestic units which will suffer immediately because of their incapacity to compete with imported products.

This country will, however, have to be vigilant so that this gain in reserves which has been made during the past few months, is put to positive use. What is more, the development of exports will have to be further encouraged so that the trade gap is narrowed. Surely, the import bill during the current year is likely to fall because of the reduction in the imports of foodgrains and fertilizers but the dynamism generated in the sphere of exports would need to be further intensified.

The rising foreign exchange reserves should make the Reserve Bank treat the exporters a little more liberally in regard to expenditure on exploratory missions abroad. The miserly releases of foreign exchange to those who have taken upon themselves the challenging task of opening up new markets for Indian products have sometimes proved to be a dampening influence. Let the exporters not be forced either to live off their friends or to look like poor relations at meetings with their clients abroad. A more generons policy in this regard needs to be initiated. *Eastern Economist* has no doubt that the governor of the Reserve Bank, Mr K.R. Puri, who has travelled widely, will see to it that a helpful approach is adopted by the bank in this regard.

IDBI | and its new goals

It is encouraging to note that the management of the recently restructured Industrial Development Bank of India (IDBI)—this institution was delinked from the Reserve Bank of India in the middle of last February with the full transfer of its ownership to the government of India—has started gearing itself to an ambitious programme of assisting industrialisation of the country and fostering of exports. It has set before itself the target of disbursing increased assistance for the development of exports and industry, excluding the help it might be called upon to render to the sick industrial units which might be entrusted to its care, from Rs 213 crores during its fiscal year (July-June) 1974-75 to Rs 296 crores this year and to as much as Rs 615 crores in 1979-80 signifying an annual growth of about 25 per cent. Although the attainment of this target depends to a great extent on how the economy shapes in the coming years, the streamlining of the procedures already undertaken or proposed should go a long way in facilitating matters.

Among the steps already taken are the creation of two functional wings to look after the two principal operations of the bank and decentralisation of operations among the various regional offices which have been upgraded and placed in charge of deputy general managers. One of the functional wings will take care of domestic financing and the other of international financing. With the opening of a new regional office at Ahmedabad last week, the bank now has four such offices—one each for the eastern, southern, northern and western parts of the country. Under considerably enhanced delegated authority, these offices have been empowered to process and approve all proposals under the refinance and machinery bills rediscounting schemes and those for direct assistance up to Rs 50 lakhs where no other all-India financial institution is involved. The branch offices of the bank at the various state capitals too are being upgraded with a view to providing refinance and rediscount assistance up to prescribed limits and involving them more actively in development particularly of backward areas.

time-bound programme

Much more significant, however, is the move of the bank to adopt a time-bound programme for expediting the sanction and disbursal of assistance. An important step envisaged in this direction is that in the case of assistance being provided by the bank in cooperation with the other financial institutions, the processing of the loan applications will be done under the aegis of the bank and the assessment arrived at will be applicable to the other financial institutions. If found necessary, the other financial institutions will be associated with the assessment process in the very beginning. This will obviate individual scrutiny of the loan applications by the various institutions providing assistance.

Following the new economic programme of the government, the bank has also redefined its goals. Besides assisting high priority industrial units aiming at import-substitution, production of key agricultural and industrial inputs, manufacture of essential mass consumption goods and products for export, and the plants to be located in the underdeveloped regions, special emphasis is now proposed to be placed on the provision of assistance to small-scale industries, schemes promoted by technicians or new entrepreneurs and projects using indigenous technology and having greater employment potential. For the benefit of new entrepreneurs, which include ex-army personnel and unemployed drivers getting permits under the national transport permit scheme, it has been decided recently that even the minimum promotors' contribution requirement should be waived. This stipulation was considered to be a considerable handicap. Attention is also envisaged to be paid by the bank in future to manpower training as part of the implementation of the apprenticeship scheme.

In the case of backward areas, besides provision of assistance to the state industrial development corporations for promoting labour-intensive projects, financial facilities are proposed to be made available by the bank to the small-scale industries development corporations in the operation of their schemes for supplying machinery and equipment on hire-purchase basis. This programme should help in rehabilitating the displaced persons by the setting up in the backward areas of giant projects requiring sophisticated skills. Hitherto, these persons faced difficulties in absorption in these units due to lack of adequate skills.

export finance

With the creation of a separate wing in the bank for international financing, the export finance problems, it is hoped, will get resolved to a great extent. Significant steps are stated to have already been taken in this sphere. The IDBI chairman, Mr Raghu Raj, revealed at a press conference here a few days ago that credit lines had been made available in the recent months to Kenya, Bangladesh and Zanzibar for assisting, among others, exports of oil storage tanks, agricultural machinery, commercial vehicles and mobile cranes.

The need for providing such credits on an increasing scale cannot be overemphasised if we have to encourage exports of our equipment and machinery to the neighbouring developing countries of south-east Asia and Africa which are being lured into buying from the developed nations through very liberal credits made available by the manufacturers of these countries. The recent findings of the export missions of the Association of Indian Engineering Industry are an eloquent testimony to this. As the government has recently decided to permit even financial participation by Indian concerns in joint ventures abroad to an extent somewhat larger than the value of exports of equipment and machinery from here, the bank would do well if it assisted such ventures.

The provision in this year's central budget for augmenting the rupee resources of the bank and the $ 40 million credit negotiated by it recently with the World Bank for on-lending to the state financial corporations to meet the foreign exchange requirements of small and medium-sized industrial units, besides the $24 million crec available from the IDA for helpi specific private fertiliser projects, inc dentally, should go a long way in spu ring its lending operations.

Some thought, however, needs to bestowed on the interest charges of t bank to see if they can be brought dow For instance, the lending rate for dire assistance of industrial projects n located in backward areas is 11 pe cent and in case they are located backward regions 9.5 per cent. Th vitiates their capital costs. In fac the overall dear money policy bein followed at present by the governmen deserves a second look for it is jeopar dising new investment in equities.

Poor demand for industrial products : why ?

ONE OF the significant observations made by the World Bank in its latest report on the Indian economy relates to the sluggishness of industrial activity and the poor demand for industrial products. The problems arising from the lack of demand were clearly highlighted recently at the annual sessions of the Associated Chambers of Commerce & Industry and the Federation of Indian Chambers of Commerce and Industry (FICCI). Mr Sudhir Jalan, President of the Indian Chamber of Commerce, Calcutta, at its fiftieth annual meeting held on May 15, 1976, also drew attention to the seriousness of this problem. He said that there was a deficiency of demand over a wide range of industries and that unsold stocks were accumulating with the producers. As a result, there was reduced production and increase in idle capacity.

Mr Jalan observed: "A figure of 35 to 40 per cent idle capacity in a number of industries is a grave matter. Such capacity was built in the past through substantial investment. When it remains idle, the capital invested yields n return. Cost of production goes u and employment goes down. Thi situation needs urgent consideration o government. The cycle has to b reversed and more demand generate in the economy. It is only then tha it will be possible to increase produc tion and reach higher levels o growth."

The government of India has bee denying the existence of a genera recession in the country's econom although it admits that some industrie are affected by it. But it should b remembered that even though only few industries may be in the grip of recession, it is having repercussio over a wide field. Thus, for exampl the lack of demand for automobile has created difficulties for a larg number of industries. This point wa forcefully brought out recently b Mr M.V. Arunachalam, the Presiden of the FICCI. He said: "The gravity o the problem is not easily realise because we tend to look at it in term of single product, say automobile (

even construction activity). But if we analyse it carefully we see that a number of backward linkage industries suffer as a result of decline in demand for automobiles—auto-ancillaries, light engineering industries, tyre industry and its raw material suppliers. This is not all. For, recessionary impact of reduced tyre output, for example, has spread to several thousand small growers and plantation workers and large-scale manufacturers of carbon black, rayon and nylon. The agro-based sector in particular is facing a serious slump, not only natural rubber producers but also wood pulp manufacturers and even the sugar industry which supplies molasses for synthetic rubber production".

revision of policy

Now that the World Bank's report has also commented on the inadequacy of demand in the Indian economy, New Delhi should examine in what directions its fiscal and monetary policies need revision in order to give a fillip to industries to produce more. In this context, it seems surprising that the government has been taking too long a time to constitute the committee which is to study the structure of indirect taxation.

Mr C. Subramaniam, the union Finance minister, announced the government's intention to set up this committee while presenting his budget on March 15, 1976. Over two months have passed since then but the government has not been able to come to a decision about its personnel and its terms of reference. A rational and realistic structure of indirect taxation is necessary in order to bring down the prices of many essential articles. The government therefore should expedite its study of indirect taxes and take the appropriate decisions so that they will help to stimulate demand.

Export promotion can help to some extent to solve the problem of demand but here also the government has to take certain steps in order to make it worthwhile for manufacturers to sell their goods in the foreign markets. The World Bank's report has referred to certain weaknesses in India's export strategy such as inadequate profitability, lack of access to imported inputs and unsatisfactory quality. Business organisations have also been urging the government of India for modification in policies in order to give a strong boost to export promotion.

The FICCI, for instance, has suggested that the facilities and incentives framed by the government should not be reduced for at least five years and that these should be strengthened whenever world conditions so required. The FICCI has also recommended that the government should widen the scope of the schemes to supply the essential raw materials, both indigenous and imported, at economic prices to manufacturers for export production and that the interest rates on export credit should be administered with greater flexibility. The government has imparted a great deal of pragmatism to its export policy but there is still need to make it more effective so as to create increased enthusiasm among businessmen to seek markets in foreign countries.

Recessionary conditions seem to persist more acutely in West Bengal than in the other states. The government of West Bengal has achieved considerable success in reviving business confidence. But the fact remains that few new industries have come up in West Bengal in recent years. Mr Jalan said that the jute, cotton textile and the engineering industries continued to be confronted with serious difficulties due to the lack of demand and he rightly pointed out that so long as the existing industries were unable to operate profitably, new entrepreneurs were unlikely to be attracted. The industries in the other states of the eastern region are also affected by the scarcity of demand for their products. The government of India therefore should ensure that its Plan expenditure is incurred in such a way as to divert more money to the industries which continue to feel the brunt of the recession.

Wanted : adequate return on capital

THE THREE-DAY annual conference of All India Manufacturers' Organisation (AIMO) held recently in New Delhi became a venue of frank exchange of views on the theme of rapid economic growth with social justice to weaker sections of society, which incidentally was the principal subject for discussion. The issues raised mostly referred to two significant developments of 1975-76, namely, a reversal in the trend of stagflation which the country experienced during the years 1972 to 1974, and the launching of a new economic programme to alleviate the conditions of the vulnerable sections of society, particularly the rural poor.

Speaking at one of the sessions of the conference dealing with economic growth, Mr Sankar Ghosh, union minister of state for Planning aptly stated that the methods and strategies of planning in this country have improved considerably during the recent years, while the complexities of the task have also grown as a result of new factors, domestic as well as external. A severe strain was experienced by our economy during 1973 and 1974 consequent upon a sharp rise in prices and deterioration in terms of trade, but a correct sequence of policies pursued vigorously by the government helped the country overcome these adversities to a considerable extent.

Taking into account the improved power and raw materials situation and the existence of favourable employer-employee relations, the rate of growth was expected to improve further in 1976-77. This, he viewed, was also supported by the fact that some of the key sectors such as coal, oil, cement, steel and fertilizers had shown a consistently upward trend in production. Already the output of coal had crossed the annual level of 100 million tonnes and output of cement had also increased. The position in respect of foreign exchange reserves, including gold and SDRs, had also improved from Rs 970 crores at the end of 1975 to Rs 1900 crores at the end of March, 1976. It is in the context of this hopeful situation that the Plan outlay for the third year of the fifth Plan had been raised to Rs 7852 crores, which was nearly 31 per cent more than the outlay proposed for the previous year.

expansion in irrigation

Mr Sankar Ghosh further based his optimism on the expansion of irrigation facilities which is a pre-condition to the effective implementation of new technology in agriculture. He asserted that the additional five million hectares expected to be irrigated through major and medium projects under the new economic programme is an important element in the development strategy in the rural economy, along with the implementation of agrarian reform measures, abolition of bonded labour. scaling down of debts and provision of house sites for weaker sections of society. These measures will lead to a sociological revolution in the countryside, the impact of which will be visible during the next few years.

A recent review of our economy by the World Bank has supported the optimistic view presented by the minister for Planning. The World Bank has praised the "vigorous measures" adopted by the government to set up a world record in curbing inflation. The review states that improved prospects for continuing export growth and import substitution in major commodities have laid the foundations for a dynamic growth rate in the economy by raising the level of capital accumulation. The report has overtly demolished the myth that this country had relied on external assistance for development. Over the years, development in this country has largely been self-supported. The bank, therefore, feels that with effective government measures supported by favourable conditions, once again this country is ripe for an upturn in the economy.

The outgoing President of the AIMO, Mr Bipin Bhai V. Mehta, however reminded the conference that the private organised industrial sector could not share the optimism expressed by certain speakers. He told the audience that the growth of the industrial sector depended to a large extent on a broad-based public participation. It was imperative, therefore, that the shareholders should ge adequate return on equities. His suggestion that 10 per cent of income derived from equity investments should be exempted from personal taxation needs to be examined by the ministry of Finance. This can definitely provide the required boost to the capital market which at the moment is rather depressed.

The AIMO has rightly pointed out that the sharp increase in the prices of new equipment and machinery combined with the paucity of long-term funds has made it difficult for the industrial units to translate their industrial licences into operational plants. New equipment and machinery are available at greatly increased cost, making the final products less viable at their existing levels of prices. For instance the cost of 1,250 tonne per day crushing capactiy sugar plant doubled from Rs 3.50 crores in 1972 to Rs 7 crores in 1975. Similarly, the cost of a 30,000 tonne capacity paper plant increased from Rs 15 crores

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Eastern Economist 30 Years Ago

MAY 31, 1946

Delegates from India and seventeen other nations took steps this week to organise against world food shortage which they expect to continue at least until after harvest next year. They met in Conference under United Nations Food and Agricultural Organisation, to adopt a plan for bigger and more powerful system of coping with food emergency than had been accomplished so far by Combined Food Board. The plan is to organise twenty nations including India and Russia, if it will accept, into super combined Food Board for temporary emergency and besides that some other permanent food body with operating powers which FAO itself lacks. It is only a information and advisory group. Harvesting for this season has already begun in Southern United States and is due to begin soon in North America. This will begin to relieve immediate crisis at least in the Occident, but experts said that India will still badly need import through September and that whole world will probably suffer shortages again in the early months of 1947 after using this year's crop. It was also said that even the harvest after that is unlikely to fully replenish normal stocks of food. The United States Agriculture Secretary said that it may be years before storehouses of the world will be full again. The importance of the United Nations Food and Agriculture meeting here was succinctly stated by the chairman, Sir John Boyd, when he said, "Cooperation of governments in common effort to free the world from hunger will do more for enduring peace than delineation of political boundaries and drawing up of political peace treaties essential though these be."

in 1970 to Rs 40 crores in 1975. The cost of a 200,000 tonnes cement plant increased from Rs 3.6 crores in 1961 to Rs 12 crores in 1975. Moreover the prices of imported raw materials and increased wages had contributed to a sharp increase in the costs of new products.

Some speakers suggested that certain units in the small-scale sector were suffering heavily due to the paucity of funds. Mr A.P. Sharma, union minister of state for Industry stated that in view of the increased incidence of sickness in small scale industries the government had appointed a high-powered committee to examine the bank credit problems of small-scale units. The committee had been asked to suggest measures for bringing about uniformity in terms and conditions of finance for facilitating the flow of institutional finance to small-scale units. Mr Sharma added that in order to encourage small units to export, action had been initiated for selecting 10 industries for modernisation each year with the assistance provided by the central government.

The lessons of bumper harvests

THE FOOD situation in the country since 1970-71, when the last bumper harvest of 108.42 million tonnes was realised, had been confusing and it was not possible until recently to assess precisely as to what was the requirement of a growing population and how the estimates of future needs should be framed having regard to a possible increase in individual intake with improvement in standard of living. With a comfortable position arising out of the output of foodgrains in 1970-71 and sizable imports, buffer stocks rose at one stage to nine million tonnes. However, the setback suffered in the 1972-73 agricultural season, coinciding with the decision to suspend imports of foodgrains on a concessional basis, had a queering effect and heavy sales had to be made out of buffer stocks. On some occasion, the fair price shops could not meet the demands of card-holders and the government had to decide on a resumption of imports by effecting sizable commercial purchases involving huge expenditure in foreign exchange.

The aggregate imports in three years ended December 1975 were quite high at 15.86 million tonnes while internal production including rabi crops of the 1975-76 agricultural season is estimated at 321.72 million tonnes. The buffer stocks are now around 12 million tonnes and can be expected to rise to 16 million tonnes by the end of July this year. As these stocks have risen from a low point of around two million tonnes after the drop in production in the 1972-73 agricultural season, it is reasonable to presume that imports have been largely utilised for maintaining buffer stocks over a period and it is possible to conclude that the goverenment will be successful in its efforts to fight inflation and provide supplies required by the public distribution system from internal sources, if output can be maintained at 108 million tonnes.

The average of production for three agricultural seasons 1973-76, was of course exaggerated by the unprecedented increase in output to 116 million tonnes in 1975-76. The question now is what should be the basis for planning in the coming years and how earlier mistakes can be avoided, and the drain of foreign exchange on imports prevented. If correct inferences can be drawn from the high and low points of production in the past decade there is reason to believe that there has been considerable strengthening of the agricultural sector and productivity has been increasing along with the extension of area under irrigation, energisation of pumpsets in areas not well-served by conventional irrigational facilities and the use of high yielding seeds and fertilisers. The high point has moved from 100 million tonnes to 108 million tonnes and further to 116 million tonnes.

There has been likewise improvement from the low point of 66 million tonnes to 97 million tonnes and probably to 104 million tonnes. This kind of reasoning clearly suggests that any difficult situation in the coming years can be easily managed with imports of around four million tonnes making the necessary adjustment, of course, for the growth in population and the larger per capita intake. This would mean that internal production should be at least 125 million tonnes in 1980-81 and every year there should be a growth in production by at least three million tonnes.

advantageous position

The extremely advantageous situation that has arisen as a result of the bumper output of 116 million tonnes in the current agricultural season has enabled the government to plan ahead from a position of strength. The procurement operations are now proceeding so vigorously that the Food Corporation and other agencies have been experiencing serious difficulty in absorbing all quantities offered by farmers. It has been indicated in the annual report of the ministry of Food and Agriculture for 1975-76 that the buffer stocks at the end of February 1976 had risen to 9.7 million tonnes from 2.8 million tonnes at the end of the same month in 1975. This would mean that nearly the whole of imports of 7.41 million tonnes effected in 1975 have been used for building up buffer stocks. The record procurement of over five million tonnes of rice in the past few months and the massive purchases of wheat now going on bid fair to raise buffer stocks to 16 million tonnes by the end of July, as stated above.

There is evidence of heavy accumulation of stocks of foodgrains with the state agencies if the changes in outstanding food credit given by the scheduled commercial banks are studied. At the end of February 1975 food credit stood at Rs 443.19 crores. By the end of February this year it had risen to the high level of Rs 1341.96 crores. The average cost of imported foodgrains is around Rs 1,500 per tonne, and latterly rice stocks, which are costlier than wheat, have been mainly responsible for the bulge in stocks. By May 7, 1976 the credit had risen to Rs 1669.68 crores.

bank assistance

The banking system has been obliged to assist the Food Corporation and other agencies with over Rs 1200 crores in fourteen months in order to finance imported and indigenously procured foodgrains. With continuing imports and vigorous procurement, it may not be a surprise if buffer stocks rise to even 18 million tonnes at some stage. There may not be any net big decline in August/October as the procurement of wheat and rice may have to be continued, even after July. By October this year net buffer stocks may be around 17 million tonnes and if the Green Revolution in rice repeats itself in 1976-77 a peak of 20 million tonnes may be reached by March next year.

The storage problem has therefore to be carefully studied and the necessary additional space created. It may even be desirable to relax restrictions on movement if the outlook for kharif season turns out to be again promising. Bank finance of Rs 3000 crores may have to be provided for in some contingencies and the continuance of the present restricted policy of refinance may well result in a denial of credit for other sectors if the refinance facilities are not suitably liberalised or it is not decided that the government would not hold buffer stocks beyond a net level of 15 million tonnes.

The developments in 1976-77 agricultural season should enable the government to take a definite view in regard to the role of imports in meeting the requirements of the population. With stocks likely to be around 17 million tonnes by October, an embarrassing situation may arise if the output of kharif and rabi crops is even lower at 112 million tonnes. The level of consumption on an optimistic basis will be only 111 million tonnes. As there has been considerable restocking in all regions and consumers will be buying only their immediate requirements, consumption may not be more than 110 million tonnes throwing up a surplus of two million tonnes. Thus, with buffer stocks of 17 million tonnes any situation can be managed and imports should be completely suspended after the existing contracts have been completed.

The strategy should now be to prevent a decline in production to below 112 million tonnes and as stated earlier plan for annual increase in production of three million tonnes. If the yield of wheat per hectare in the eastern region can be increased and the output of rice is raised steadily as a result of the recent breakthrough, the objective of achieving self-sufficiency even with rising consumption can be easily realised. The output of coarse cereals too can be very much more than what it has been so far if scientific farming practices in unirrigated areas are adopted and there is massive tapping of underground water resources. The horizon on the food front is bright and the deficit in foreign trade can be nearly wiped out if the lessons of the current agricultural season are properly understood.

RECORDS AND STATISTICS

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Capital's Corridors

R. C. Ummat

Nuclear cooperation • Workers' sector in industry • Credit needs assessment • Steel output expectations

THE REGRET of the government of India over the unilateral decision of Canada to stop nuclear cooperation despite the nearly two-year protracted negotiations, which culminated in a settlement in March last, will be shared widely— not only here but also in the developing world. Canada suspended all assistance and cooperation in this field after the explosion of a nuclear device by us in the Pokharan range on May 18, 1974. Presumably, all its apprehensions about the use of nuclear power by us were allayed during the above negotiations. Otherwise, there could not be any justification for reaching a settlement and preparation of a draft agreement envisaging restoration of the nuclear relations between the two countries to the traditional level. What remained to be done was the formal approval of this agreement by the two countries.

renouncing explosions

The reason for the abrogation by Canada of the above settlement is stated to be that it can have nuclear cooperation only with countries which have renounced the use of Canadian-supplied materials, equipment and technology for nuclear explosions; further cooperation with India will have to be compatible with this policy. This implies that no country can seek Canadian cooperation even for widening the uses of nuclear energy for peaceful purposes unless and until its plans are acceptable to Canada.

The timing of the Canadian decision appears to be very significant. Perhaps it has to do something with the hardened attitude of the developed nations towards the developing world an eloquent testimony of which is available from the deliberations of UNCTAD-IV. Reports from Nairobi suggest that the developed nations are more concerned about their own welfare and are prepared to assist the developing countries only to the extent their assistance does not affect the lead they enjoy not only in the political but also the economic field.

With the unilateral abrogation by Canada of its nuclear cooperation with us, we will have to progress on the nuclear front primarily on our own. Some assistance might be available from France as has been the case in the last two years. This is bound to delay our plans for harnessing nuclear energy for the many peaceful uses in view. This sacrifice will have to be endured in the interest of self-reliance. There can be no denying the fact that we have built up considerable competence in the nuclear field. Further progress is not beyond the capabilities of our scientists and technicians.

* *

The minister for Finance, Mr C. Subramaniam, revealed in the Lok Sabha last week, during the debate on the bill seeking to amend the Additional Emoluments (Compulsory Deposit) Act, 1974, that his ministry was toying with the idea of utilising the nearly Rs 1,000 crores impounded dearness allowance for creating a workers' sector in our industrial economy—the fifth sector after the establishment of the private, public, joint and cooperative sectors. He thought that this would add a new dimension to workers' participatio in industrial units.

Ostensibly, the proposal appears t be quite attractive for it can yiel wholesome results in augmenting resources for industrial growth. A majo point that, however, needs to be considered in this connection is the vitiation of the climate for investment in equities which has been brought about by the dear money policy currently being followed be the government. The yield norms on investment in both industry and trade undoubtedly will have to be revised upwards if these investments are to be made attractive enough vis-a-vis the interest rates on term deposits with banks. The present norms of profitability in industry apparently are not conducive to investment in equities, although there is a school of thought in the official quarters that this investment has remained at a low ebb in the recent past primarily because of other considerations.

the corelation

There can be no denying the fact that the capital market, which witnessed boom years towards the close of the 1950s and in the beginning of the 1960s, has not been able to regain buoyancy for over a decade now. This surely cannot be attributed to the so-called "unfair" practices of some entrepreneurs and the alleged "cooking up" of balance-sheets. A corelation between the return on institutional savings and investment in other forms, including equities, has to be there if the savings are to be invested in a broad spectrum of activity. Until and unless some concerted efforts are made to revive the capital market, the Finance minister's proposal may prove to be detrimental to the interests of employees, who might suffer an erosion in their impounded earnings. The experience of the Unit Trust of India during the last two years and the steady increase in the term deposits of banks are sure enough indications hat the yield pattern of equities is not ttractive enough.

Incidentally, if the yield norms of ndustry and trade have to be revised upwards, they can be expected to add to inflationary tendencies. This is a dilemma which the country faces at present. Perhaps a national debate on Mr Subramaniam's proposal will throw up ideas to correct the situation.

* *

Although bank credit for the food sector will have to be increased very significantly this year in view of the encouraging procurement trends, the Reserve Bank of India feels that the industrial sector will not suffer from lack of credit for production. An assessment of the genuine micro as well as macro credit needs of this sector and also of the other sectors of the economy has been undertaken recently. It is expected to be completed soon. The provision of some additional credit to selected industries having high growth potential is not ruled out.

The credit requirements of the food sector are anticipated to be of the order of nearly Rs 2,100 crores. The commercial banks have been asked to provide credit up to Rs 800 crores on their own. Another Rs 600 crores to Rs 800 crores would be provided by the Reserve Bank. The remaining amouut will be available by way of central budgetary support.

The deposits with the banking industry are expected to go up this year by about Rs 2,600 crores, as against Rs 2,200 crores last year and Rs 1,600 crores in 1974-75. This growth is expected to go a long way in meeting the credit requirements of the economy. The branch expansion programme is stated to have been helpful in deposit mobilisation, specially in the rural areas.

A committee has been set up by the Department of Banking to consider restructuring of the banking industry. It will also look into the question whether any rationalisation is needed in the branch expansion programme in the light of the experience of the last five years. The Reserve Bank has asked the various Indian banks to open branches abroad also with a view to facilitating remittances by Indians, the scope for which is understood to be quite large, particularly in the oil-rich west Asian countries.

Another committee has been set up by the Reserve Bank to suggest how transfers of accounts from one bank to another could be facilitated without introducing undue competition among them. The question of improving the operational efficiency of the banking industry has also been looked into recently by still another committee. This report is currently being examined.

* *

The saleable steel output from the six integrated steelworks at Bhilai, Durgapur, Rourkela, Bokaro, Jamshedpur and Burnpur is expected to go up from 5.778 million tonnes in the year just gone by to 6.515 million tonnes during the current financial year, 7.790 million tonnes next year and 8.490 million tonnes in 1978-79 — the terminal year of current five-year Plan. The public sector projects at Bhilai, Durgapur, Rourkela and Bokaro are anticipated to yield this year 4.425 million tonnes — 887,000 tonnes more than last year — and the Jamshedpur and Burnpur works 2.09 million tonnes, as against about two million tonnes last year. The production from the former four units is expected to go up to 5.52 million tonnes next year and 6.22 million tonnes in 1978-79 and that from the latter two to 2.27 million tonnes in each of the next two years.

The major contribution to the increase in the supply of saleable steel from the six integrated steelworks will be by Bokaro which is expected to yield 0.72 million tonnes this year, as against 0.25 million tonnes last year, and 1.80 million tonnes in 1977-78 and 2.4 million tonnes in 1978-79. The output of the Durgapur project is expected to go up to 0.9 million tonnes by 1978-79 and that of Rourkela to 1.15 million tonnes. Rourkela may be able to achieve this level of production even next year. The Burnpur works are also anticipated to yield significantly higher outputs during the next two years — around 0.72 million tonnes, as against the target of 0.54 million tonnes this year and the actual production of 0.5 million tonnes last year. No substantial improvement in production is expected at Bhilai and Jamshedpur as these plants are already stated to be running to nearly their full capacities.

Taking into consideration the yield from the electric arc furnaces, the overall availability of finished mild steel from indigenous sources is expected to be of the order of 9.86 million tonnes by the end of the current Plan period by which time these furnaces will be able to produce about 1.37 million tonnes of rolled products.

The domestic demand for finished steel is expected to grow only to about 7.658 million tonnes by 1978-79. This estimate takes into consideration the past consumption pattern, the present market trends, the anticipated growth of the economy, financial constraints, etc. There is, thus, likely to be a surplus of about 2.2 million tonnes of finished steel by 1978-79 which can be exported to earn valuable exchange. The imports of steel are expected to be marginal, mainly on account of very special grades of steel which are either not economically produced in the country or for which we do not have sufficient technology at present.

Although, the Steel Authority of India is planning its next two years' steel export programme on the above basis, it intends to keep a close watch on the domestic situation, both in regard to demand and production, so that suitable adjustments can be made in the allocations for export in the interest of keeping the supply position in the domestic market reasonably comfortable.

POINT OF VIEW

Impressive expansion in northern states

K. R. Puri

This is the text of the address of Mr K. R. Puri, Governor Reserve Bank of India, at the annual general meeting of the Punjab, Haryana and Delhi Chamber of Commerce and Industry held at New Delhi on May 14, 1976. Mr Puri highlighted the progress made by this region in various fields and said that paucity of bank credit would not be allowed to come in the way of productive effort or growth of exports.

THE JURISDICTION of your Chamber encompasses an area in the country which is playing a pivotal role in the economic advancement of our free India. The progress witnessed in this region—as has not been witnessed in other regions—owes a great deal to the height of enlightened entrepreneurship which has become an integral part of the culture of the land and the society here. Each constituent part of the nation possesses some distinguishing characteristics and makes distinct contributions. Therein lies the strength of the Republic. Unity in diversity, not only in social and culture life but also in economic life, is the hall-mark of this nation. It is for this reason that we need to realise the strength and potentiality of individual constituents so that an optimun use of natural, human and capital resources is made possible.

tremendous progress

The country has made tremendous progress both in terms of quantitative growth as well as in terms of structural changes. The output of foodgrains has now touched about 114 million tonnes, against 42 million tonnes in 1950-51 and 89 million tonnes in 1964-65. There have been similar rapid increases in cash crops: from 29 lakh bales in 1950-51 to 70 lakh bales in 1975-76 in raw cotton and from 52 lakh tonnes to 90 lakh tonnes in oilseeds. We have built up capacity to produce 10 million tonnes in steel (against actual output of 6 million tonnes) and of 20 million tonnes in cement (against 16 million tonnes output). During the past one decade, the average growth of exports works out to as much as 14 per cent.

price stability

All of these developments took place in a period of relative price stability except for some years of inflation. The high rate of inflation witnessed during 1973-74 was due to a variety of factors largely out of the reach of human ingenuity. Even here, we have been able to quickly bring the situation under control and, in fact, our performance in inflation control is a world record.

We have now built up a comfortable buffer stock of about 11 million tonnes of foodgrains (which is proposed to be increased to 15 million tonnes) and stocks of several key industrial inputs like steel, non-ferrous metals, cement, coal and many others are satisfactory. The availability of key wage goods has also improved. Power, transport and other infrastructural facilities are in a much better position today.

Many of the alleged hindrances to industrial investment, output and growth are being fast eliminated, covering policies and procedures relating t industrial licensing, price and distribution, capital issues, export and impor trade, etc. There is going to be a substantial step up of over 30 per cent i public investment. Above all, the latest budget has now opened up the *vistas* of private savings and investment. As a result of the series of incentives provided in the budget, the tax burden of the private corporate sector is estimated to be reduced by as much as Rs 100 crores. These concessions must go to create more of investment, output and employment.

This is an hour of challenge. The people of this area are well-known for their sturdy self-reliance, enterprise and hard work. These qualities have been as evident in times of prosperity as in adversity. The Punjabi spirit has always risen to the occasion, whether in the country's defence or in its economic development. I have no doubt in my mind that the response to the challenges of economic growth with stability will be so fruitful that the nation will stand to gain to an immense extent.

impressive figures

When I looked at some statistics on the states and territories your Chamber represents, I was quite frankly impressed. That the region is in the forefron of economic development is widel known, but the numbers are muc more revealing than what is said i general terms. An outstanding characteristic of the states of Haryana an Punjab is that they are agriculturall well advanced. This is made possible let us grant, by a determined exploitation of the natural resources.

Being in the plains of northern India, Punjab and Haryana have about 80 per cent of their geographical area under cultivation, whereas the country's average is just 46 per cent. Secondly, the gross area irrigated to gross cropped area formed 43.7 per cent in Haryana and 74.2 per cent in Punjab, while the all-India average was 22.7 per cent (1969-70 data). The land productivity in these two states together is probably the highest in the country. The highest irrigation facility in the Punjab is not only due to well-developed canal system in the state and the Bhakra Dam but also due to the tapping of underground water resources by Persian wheels, now replaced by diesel engines and electrical pumpsets.

green revolution

These modern equipments, along with tractors, agricultural implements and rural electrification employed concurrently with the application of high-yielding varieties of seeds and chemical fertilisers, have brought about a true green revolution and a vast transformation of the rural economy of this part of the country. The yield per hectare in total cereals was 2,063 kilograms in Punjab and 1,345 kilograms in Haryana, whereas the average yield for the country stood at 924 kilograms (triennial average of 1970-71 to 1972-73). It was so even in raw cotton, Punjab and Haryana having generally the highest yield per hectare : 367 kgs and 317 kgs, respectively, as against the average of 129 kgs.

More than the yield per hectare in farm products, it is the total output as well as the marketed surplus generated for feeding the rest of the population that is much more significant. Haryana and Punjab, which have together 4.3 per cent of the country's population and 3.7 per cent of the geographical area, account for 30 per cent of wheat output. In rice, while their share in output is only about 4 per cent, over one-third of the government procurement is contributed by them; in wheat more than two-thirds of public procurement are contributed by them.

According to the All-India Debt and Investment Survey of 1971-72, the rural households in this region have two to three times the assets of all-India households. The assets of the cultivator households in Punjab (Rs 31,833 per household) are more than four times the all-India average.

In the matter of big industrial projects, some other states are far more advanced. Yet the area is known for a significant growth in the small-scale industrial sector. As a result, the average daily employment of factory workers per thousand total population in Haryana (9.4) and Punjab (8.8) is more than or broadly equal to the all-India average (9.3).

Infrastructure is also fairly well-developed. Industrial consumption of electricity per capita at 86.4 kwh in Punjab and 53.8 kwh in Haryana compares well with the country's average consumption of 55.4 kwh. Total road length per 100 sq km of area is again the highest in Punjab (150.5 kilometres), compared with the average of 39.2 kilometres for all-India; Haryana works out to 29.7 kilometres.

As a result of the agricultural, industrial and infrastructural facilities, the state income *per capita* in Haryana (Rs 445.0 in 1970-71 at current prices and Punjab (Rs 472.0) worked out to 27 per cent and 34 per cent more than the all-India figure (Rs 351.8). In terms of net domestic product, their contribution at 7.1 per cent together far exceeded their share in population (4.3 per cent) and geographical area (3.7 per cent).

Though this region, consisting of Punjab, Haryana, Himachal Pradesh, Delhi and Chandigarh, has seen relatively better prosperity, it occurred without much of an unusual role played by financial intermediaries. It could be said as a general proposition that self-finance has played a relatively better role both in industry and agricultural of these areas than those elsewhere. But during the past few years, particularly after the nationalisation of 14 major banks, there has occurred a noticeable change in this respect and banks and financial institutions have increased their assistance rather sizeably.

The share of bank offices in the region has improved; the share in deposits which was relatively high has increased further; and the share in credit which was disproportionately small (except in New Delhi offices of banks) has begun to improve although this is partly due to the sizeable increase in bank credit for financing public food procurement operations. The broad picture is as given in Table I. In

TABLE I

Growth of Bank Offices, Deposits and Credit in Northern India

(Percentages to all-India)

	June 1969			December 1974		
	Bank offices	Deposits	Credit	Bank offices	Deposits	Credit
Haryana	2.0	1.1	0.7	2.3	1.5	1.3
Punjab	4.2	4.4	1.6	5.2	4.6	2.9
Himachal Pradesh	0.5	0.3	0.1	1.0	0.5	0.2
Chandigarh	0.3	0.8	1.8	0.3	0.6	1.4
Delhi	3.3	9.6	8.1	3.0	9.3	6.4

terms of absolute numbers, the picture is as given in Table II.

Based on another set of data on bank offices alone which are available upto December 1975, Punjab has had the largest increase in bank offices, viz. 708, accounting for about 5.9 per cent of the total increase in the country as a whole during 1969-75, Haryana accounted for 317 (2.6 per cent) and Himanchal Pradesh 157 (or 1.3 per cent). Delhi and Chandigarh also witnessed large increases in the number of bank offices.

More importantly, on the lines of the national policy regarding regional diversification in the opening of offices, the distribution of these offices has decidedly moved in favour of rural and semi-urban areas. In Punjab, for instance, rural areas had accounted for about one-third of the bank branches in June 1969; in December 1975, the corresponding proportion was 56.5 per cent. Similar changes took place in Himachal Pradesh and Haryana.

bank operations

Equally impressive are the increases in the number of accounts and amounts of deposits and advances of the scheduled commercial banks in this region. The three states and two union territories of the region together had accounted for 16.2 per cent of the total deposits of the scheduled commercial banks and 12.3 per cent of the advances. In December 1974, these together accounted for 12.2 per cent of the number of accounts and 16.4 per cent under deposits and 4.9 per cent of accounts and 11.3 per cent of amount under advances. Between June 1969 and Decmber 1974, bank credit in these states and union territories increased from Rs 444 crores to Rs 915 crores and deposits from Rs 756 crores to Rs 1,910 crores. In Punjab, credit rose from Rs 58 crores to Rs 307 crores and deposits from Rs 203 crores to Rs 537 crores, in Haryana from Rs 26 crores to Rs 209 crores in credit and from Rs 53 crores to Rs 164 crores in deposits, and in Himachal Pradesh from Rs 3.8 crores to Rs 15 crores in credit and from Rs 14 crores to Rs 64 crores in deposits.

These changes are better reflected in an improvement in the credit-deposit ratio for the states and territories together. In Punjab, the credit-deposit ratio was as low as 28.6 per cent in June 1969 but it rose to 44.5 per cent in December 1974. In Haryana, it increased from 49.2 per cent to 63.8 per cent. The relative decline in Delhi's credit-deposit ratio is to be explained by the emergence of improved banking facilities in the neighbouring states of Punjab, Haryana and Himachal Pradesh.

For a proper appreciation of the credit-deposit ratio, credit should be worked out on the basis of utilisation in the states or region concerned. That is not all; the amounts of investments made by the scheduled commercial banks in the "other approved" securities in the respective states (state-level securites and securities and bonds of local and state-associated bodies) have also to be taken into account.

The state-wise credit-deposit ratio (including investments) as at end-December 1974 worked out to 68.5 per cent for Punjab and 145.2 per cent for Haryana; based on sanction, these ratios were lower at 56.0 per cent and 88.0 per cent, respectively. A good part of these utilisations was from credit sanctioned from urban centres like Delhi and Chandigarh where credit plus investment to deposit ratio declined on the basis of utilisation as compared to that on the basis of sanction.

There is also an interesting pattern in the sectoral distribution of credit in these states of the region. For the country as a whole, in December 1974, agricultural and allied activities accounted for 10.2 per cent of the total credit; in Punjab, the corresponding proportion was 13.4 per cent. In fact, it is was higher at 19.4 per cent in December 1972. This decline in the proportionate share of 'agriculture' in Punjab was offset by an increase in that of 'industry' and within

TABLE II

Growth of Bank Offices, Deposits and Credit in Northern India

(Rs crores)

	June 1969			December 1974		
	No. of bank offices	Deposits	Credit	No. of bank offices	Deposits	Credit
Haryana	171	53	26	420	172	110
Punjab	345	203	58	930	537	239
Himachal Pradesh	42	14	4	176	64	15
Chandigarh	21	36	65	52	72	113
Delhi	274	449	291	540	1,075	524

'industry' in that of small-scale industry.

An outstanding aspect of sector-wise bank credit distribution in the region is that, in conformity with the importance of small-scale industry, its share in bank credit is fairly high. In Punjab, for instance, the share of small-scale industry sector in total credit was as high as 24.7 per cent in December 1974, against 12.8 per cent for all-India; in Haryana also, it was high at 19.9 per cent. The dynamic growth of small-scale industries in this region is of tremendous and exemplary significance for the country as it is now well recognised that the network of decentralised small-scale industrial units in the rural and semi-urban areas is a key factor in our strategy on economic development.

Secondly, the share of bank credit for trade in these regions is high, particularly in Punjab, Himachal Pradesh and Delhi because of the high levels of food procurement operations and also because of the Food Corporation of India's centralised borrowing operations in Delhi.

priority sectors

Besides credit to agriculture and small-scale industry, advances to other priority sectors also showed a substantial improvement; these are small road and water transport operators, retail trade, small business, professional and self-employed persons, etc. These together got as much as Rs 32 crores as at the end of March 1975. Even the Differential Interest Rate Scheme has caught on in this region. The state-wise distribution of amounts outstanding under the DIR scheme is as given in Table III.

TABLE III

Outstandings Under the Differential Interest Rate Scheme

State	No. of accounts	Amount outstanding as at December 1974 (Rs. lakhs)
Haryana	7,866	55.8
Himachal Pradesh	1,943	11.0
Punjab	13,777	99.0
Delhi	398	3.4

The all-India term-financing institutions (IDBI, IFCI, ICICI, IRCI, LIC and UTI) have also made a substantial contribution to the development of the region. In 1969-70, they had together sanctioned about Rs 5 crores and disbursed about Rs 4 crores; in 1974-75, sanctioned amount stood at Rs 38 crores and disbursal at Rs 21 crores. Increases in the disbursements of the respective state financial corporations have also been very impressive.

In sum, a sea-change has taken place in the role of financial institutions in this region. With the great potentiality that exists in agriculture, in industry and in infrastructural facilities, the region has a bright prospect and I am happy to note that the financial institutions have also geared themselves to this task of nation-building in this region. Economic development of this region has been achieved with considerable diffusion of economic power and through decentralisation as is evident from the role of agriculture and small industry. This subserves th socio-economic objectives. I have no doubt that banks and other financia institutions will assist this process o growth in this region to an even greate extent. In the field of credit policy while the basic structure of credit discipline will continue and at the same time, it is being ensured that paucity of credit does not hamper genuine productive effort and growth of exports. A ceiling on bank lending rates has been fixed to bring about greater economy and efficiency in the operations of the banking industry. To reiterate, the battle against inflation is a continuing one and it is in this context that a continuous watch over the credit situation is one of the basic corner stones of ou policy.

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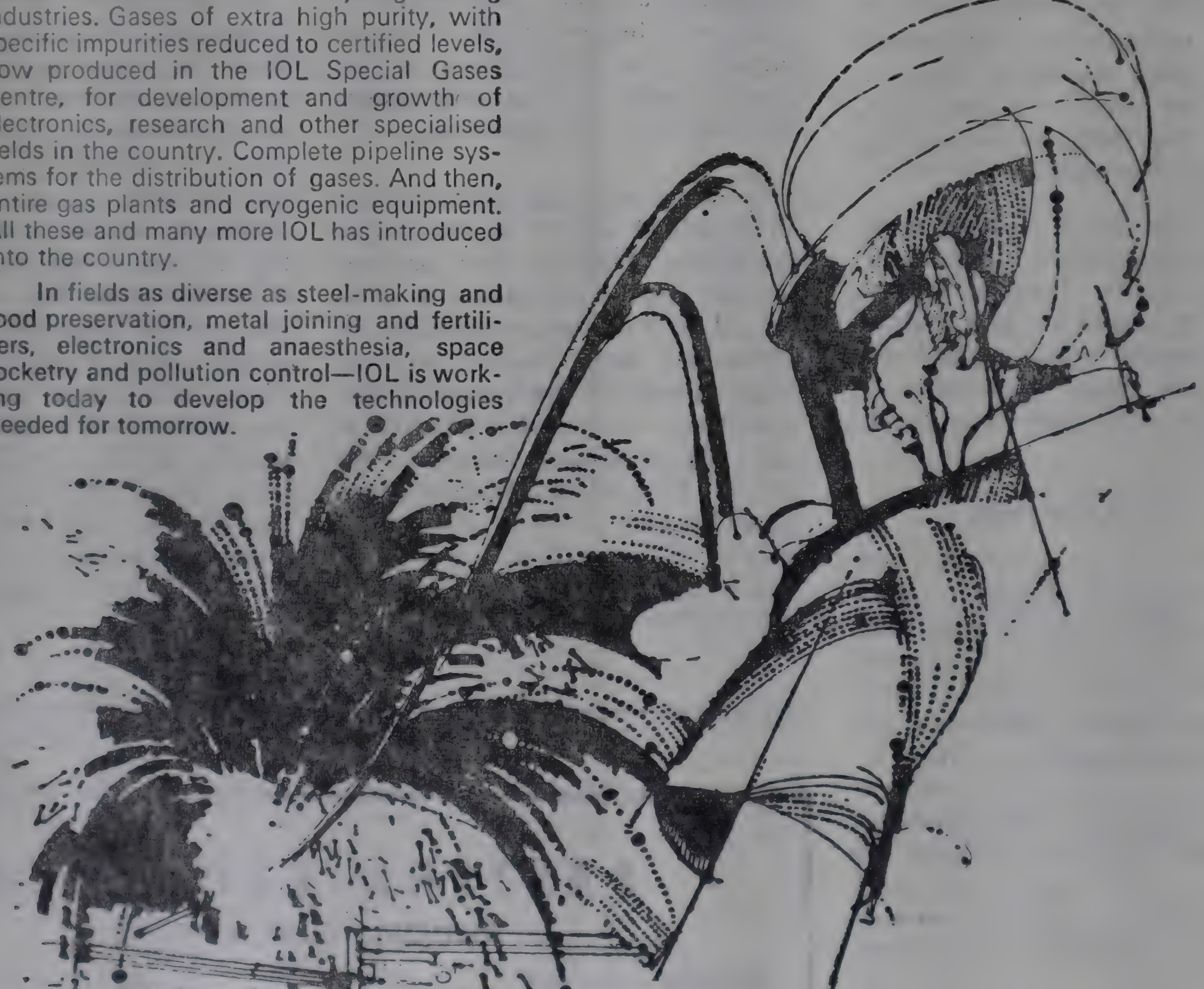

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I

CAPITAL REQUIREMENTS

AMONG THE explanations offered for the low average rate of economic growth in the UK compared with many others in the post-war period, there is one which has had a remarkably long run and wide following: the pattern of investment is held responsible, and in particular the low level of industrial investment.

More recent attention has been focused on the provision of finance for such investment, and the city, including the banking system, has been criticised as an insufficiently effective performer in this task. At the same time the government has considered it necessary to take an increasingly active role in the investment decision process and to become an important source of finance.

This report analyses the factors which lie behind the problem of financing industrial investment and discusses the extent to which changes in current practices may or may not be called for.

It is as well to begin with the real dimensions of growth. Output and capital are measured at constant prices; Output is value added, or contribution to the gross domestic product. Capital* is the stock of reproducible physical assets estimated from information about past investment in the various types of these assets and about their normal lives.

capacity utilisation

The constant annual rate changes between the terminal dates of each period, and these dates have been chosen to represent approximately equal degrees of utilisation of capacity; 1974, when the economy had already entered the current recession, is omitted partly for this reason, although figures for it are available, but also because the major upsurge in that year of investment in North Sea Oil, from which no output was expected until later years, would have distorted the comparison of the growth of real output and capital stock for industrial production and the economy as a whole.

Two main points emerge and are particularly relevant to the financing problem.

The first is that in the rate of accumulation of real capital appears to have accelerated sharply. The acceleration is most marked in terms of capital per employee. In 1943-62 capital growth was required partly to equip the growing number of people employed; but in 1964-73 the numbers employed in manufacturing and industrial production fell rapidly and the economy as a whole remained static, while capital accumulation increased. Together with the increase in the rate of growth of capital per employee has gone, an increase in the rate of growth of output per employee, although the latter increase has been rather smaller.

The second point is that, whereas in 1948-62 the growth rate of output per employee and capital per employee were roughly similar, in 1964-73 the growth of capital per employee exceeded that of output per employee. The excess has been particularly marked for the economy as a whole; it is somewhat less so for manufacturing, although there has been a distinct change from a growing to a declining rate of output per unit of capital. 1964-73 has seen a rising capital-output ratio, which may otherwise be described as a falling productivity of capital.

financing problem

These two trends in the real dimensions of the economy's growth create a financing problem. If more is added to capital, as a proportion of the existing stock, while each unit of the existing stock yields less output, then the current flow of output becomes less adequate to maintain the investment for which real resources are required. But the problem of financing has other ingredients. One is the share of profits in the current value of output; another is the relation between the prices realised per unit, of output sold and the prices payable per unit of capital goods bought; and a third is the scale on which current expenditure on gross investment is required in order to achieve, after allowing for retirement of old existing assets, a given percentage increase in the operating stock of capital.

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*The stock is measured gross; that is, each new asset entering the stock is assumed to retain its original value (at constant prices) throughout its normal life until at the end it drops out of the stock. An alternative assumption is that the asset loses each year a proportion of its value, related to its normal life, until it drops out of the stock at the end of it. This leads to a measure of the net capital stock. Over the period 1964-73, the growth in the net stock of capital in manufacturing was the same as that of the gross stock; in industrial production it was slightly smaller (3.6 per cent per annum, against 3.7 per cent for the gross stock); and in the economy as a whole rather larger (4.6 per cent per annum, against fonr per cent for the gross stock).

Together the first two factors, with the real growth rate of the capital stock and the capital-output ratio, these determine the proportion which the current flow of profits will bear to investment spending.

significant trends

The figures regarding the UK machinery industry in the last decade suggest some significant trends which bear upon the financial problem:

(1) The extent to which gross profits "cover" gross investment declined from 2½ times in 1964 to 1.7 times in 1973, slumping to 1.0 times in the post-peak year of 1974. This is the result of the other trends below;

(2) There was a significant decline in the share of profits in value-added, and a corresponding increase in the share of employment income;

(3) The prices of capital goods rose relatively to the (value-added) prices of output, and the trend accelerated rapidly at the end of the period;

(4) A declining proportion of gross investment went to increasing the stock of capital. presumably reflecting an increasing incidence of replacement of some of the shorter-lived assets resulting from high levels of investment at the beginning of the period;

(5) The output-capital ratio fell and would probably have fallen more but the fact that;

(6) The growth rate of the capital stock began to dwindle, although, its annual rate was higher than in the earlier post-war period. This dwindling was no dobut in response to the declining profitability of capital and the financing problems reflected in the trend but it also helped somewhat to alleviate those problems.

The trends traced so far point to problems in financing investment in manufacturing. But the problems arise because success in raising the rate of accumulation of real capital per employee has gone with failure to achieve a corresponding rise in output or profits. The increased rate of accumulation (outside as well as inside manufacturing) may itself have contributed to drive up the relative prices of the capital goods supplied to manufacturing.

It is difficult to see in all this any evidence that the financial system has been providing inadequate support for manufacturing investment; but the current flow of profits has, and this suggests that investment has become increasingly dependent upon finance from outside the investing firm.

sources of funds

Data on the sources and uses of funds in manufacturing from the Department of Industry's survey of the published accounts of companies listed on the stock exchange and those not listed, does not reveal any tendency for a decreasing proportion of the funds required to be provided by undistributed profits. But these figures are not compiled on the same basis as those from the social accounts in particular, the published company's accounts do not separate out the element of stock appreciation in undistributed profits, which has grown proportionately, and show changes in the book value of assets rather than current investment expenditure.

II

USE OF CAPITAL

Some important changes have taken place in the structure of capital funds over the last decade.

One feature is the increasing importance of overseas especially as a source of funds but also as a receiver of them — mainly in the form of investment by overseas companies in the UK subsidiaries and by the UK companies in subsidiaries abroad.

On balance reliance on internal finance from undistributed profits has declined, seen in relation both to fixed capital formation and to all sources of funds. The better to portray the actual cash flows, undistributed profits are shown excluding stock appreciation. From being more than enough to cover fixed capital formation in the first part of the period, they fell below it in the second. Capital transfers increased for a while reflecting the increased importance of investment grants, then fell away as these were replaced by other forms of incentive to investment.

Capital market sources shrunk over the period as a whole, but there was a significant revival of its importance in 1975 which seems likely to continue this year.

Other loans and mortgages, a mixed bag which includes instalment credit and lending by the public sector as well as by financial institutions, has tended to be of lesser importance.

The bank borrowing grew considerably in the last few years, but the impression given by these may be misleading for several reasons. Between 1971 and 1973 the increase in bank borrowing was accompanied by a rapid build-up of bank deposits held by industrial and commercial companies. At times during 1972 and 1973 interest arbitrage operations may have accounted for a significant element of this, although the effects tended to disappear when distortions in the interest rate pattern which caused them were eliminated. In 1974 the increase in bank borrowing would be smaller if it were possible to identify and exclude that part of it corresponding to the stock appreciation which has been excluded from total sources and uses of funds.

Furthermore, 1975 has seen a falling off in the growth of bank borrowing which reflects partly the funding of advances by the spate of capital issues — a policy which emerged from the desire of businesses to reduce the risks of overdependence on short-term funds rather than from pressure from the banks — but also the improvement in the situation due to the deferment of corporation tax liability on profits arising out of increased stock values and by the minor relaxations of the price code.

lack of finance

The picture which emerges supports much less clearly the propositions that investment in industry is hampered by lack of finance than the proposition that an historically high rate of capital accumulation has been accomplished in the face of considerable changes in the flow of finance from traditional channels, particularly self-finance. It is true, however, that this has led to some strains in the financial system which may have contributed to some falling away in recent years of the rate of capital accumulation itself. If the latter is to be sustained, the question arises whether it does not call for the financial system to be adapted in ways which will enable it to cope more permanently and effectively with the developing demands upon it.

III

ROLE OF BANKS

A suggestion which is currently in vogue—partly on the basis of comparisons with other countries—is that a more important role in the provision of funds should be played by long-term debt finance.

This would require some change in attitudes towards "gearing" both by companies raising funds and by institutions and others supplying them.

Gearing has in fact tended to increase since the early sixties; the Department of Industry's survey of listed companies in manufacturing shows long-term loans as a percentage of shareholders' interest rising from under 15 per cent at that time to over 30 per cent in recent years. One important reason for this was the change from the earlier system of company taxation to, Corporation Tax in 1965, since under the latter the cost to the company of a given dividend, in terms of reduced retentions, was effectively increased, whereas the cost of loan finance was unchanged and its relative attraction thereby enhanced.

This trend may also reflect the failure of interest rates to adapt fully to the rate of inflation and the advantage in an inflationary situation of being able to treat debt interest as an expense for tax purposes. There was a time when it was argued that increased gearing would enable the equity to benefit disproportionately from a rising trend of profits, so that the cost of equity finance would be less. The argument turned a blind eye to the converse effect of a failing trend, and has passed out of favour.

To the conext of the trends outlined above, it is difficult to see much advantage for the cost or availability of finance of pushing much higher. Even if the suppliers of capital as a whole could expect a constant rate of return for distribution among them, the increased risk to equity holders would tend to raise the cost of equity finance; and the tendency would be marked and rapid when a number of factors are combined, to drive down the rate of return to capital as a whole.

This must also condition the attitude of the banks towards suggestions that they should advance their role in the provision of longer-term loans for industry. They have, in fact over the years become increasingly sensitive to the specific capital needs of industry, and medium-term lending for periods of up to ten years has increased substantially. Special facilities for term loans have been developed, and lending under sterling facilities made available by Midland Bank, in one form or another, over a term of years now accounts for about one-third of the bank's total advances.

banking prudence

Banking prudence, however, naturally limits the extent to which term lending can be increased.

Another alternative would be for banks to attempt to recruit deposits at long-term so as more nearly to match the term of lending commitments. However, this has not been feasible during a time of rapid inflation. With short-term interest rates rising to historically high levels, the terms on which banks might have been able to attract longer-term deposits would have effectively barred their use for lending out to industry at a rate on which companies could have hoped to make profitable investment.

Traditionally banks have provided funds for working capital, and in so doing have released the internal funds of companies for fixed capital investment purposes. Nevertheless, much overdraft borrowing is "hard-core" borrowing, and in practice the facility—taking the form of a sanctioned limit renewed at regular intervals—continues to be used for a lengthy period of time as well as for the purchase of fixed assets.

But at the end of the day banks must be particularly concerned with their liquidity, since the bulk of their deposits remain repayable on demand or at short notice. To maintain their ability to discharge this obligation unquestioned it might be necessary, if they were to extend their commitment to longer-term lending to industry, to raise the proportion of their deposits held in short-term assets, such as treasury bills or other mainly public sector debt, so that their overall capacity to lend to industry for all purposes, working capital as well as fixed, might well be impaired.

special facilities

Apart from lending *per se*, the British clearing banks have expanded the provision of special facilities for corporate customers. In some cases these services are being drawn together into a centralised organisation as in Midland Bank's Corporate Finance Division. Merchant banking facilities have been expanded also. Midland Bank has purchased two existing merchant banks, Samuel Montagu and Drayton, in recent years, whilst some other clearing banks have developed merchant bank facilities within the existing organisations. Samuel Montagu provides a broad finance advisory service, including sponsorship of issues of long-term capital, and advice on mergers and reconstructions. Midland Montagu Industrial Finance provides development capital and invests in the equity of private companies with the intention of assisting their growth to public floatation, merger or acquisition within a period of, say, five years. The scope of other corporate services extends from instalment finance, factoring and leasing to insurance, shipping finance, export credits and foreign currency financing.

Furthermore, the London and Scottish clearing banks and the Bank of England are the shareholders in Finance for Industry (FFI) which acts as a holding company for Finance Corporation for Industry (FCI) and Industrial and Commercial Finance Corporation (ICFC). FCI provides both short and long-term finance which cannot normally be raised elsewhere, and ICFC provides finance for small and medium-sized companies, in the form of equity capital, loans repayable over ten to twenty years, or both. In the last accounting year the total commitment by ICFC, FCI and their specialised subsidiaries to industry totalled £248m, equivalent to about a quarter of all new issues made during 1975 by manufacturing industry. The equity base of FFI has been extended recently by £75m and various city institution have agreed to make provision for it to, borrow up to a total of £1,000m, "to be made available only on a commercially justifiable basis to any company operating in the UK, for the purpose of productive investment in fixed assets in the UK and supporting working capital and for investment in the development of exports". The funding of existing bank facilities is not excluded "where it is desirable to improve the financial structure of the company as a whole".

IV

A BAD SUGGESTION

These developments seek to provide a business intending to embark on an investment programme with a wider variety of choice in financing rather than any softer options. Some recent proposals, however, have appeared to veer in the latter direction. It has been suggested that banks might make medium-term loans to industry at cheap rates on the basis of a government guarantee; or that such loans might be made rediscountable. An "equity bank," with funds of some £500m, has been discussed by leading city investment institutions in conjunction with the Bank of England. The equit bank would invest funds in industr for at least three to five years, and instead of looking for a return on investments which are fully competitive with that of other competing investments, for example, fixed interest securities or property, would invest in industry at initially something less than a "full" return. The suggestion has been made that these funds might be subscribed on the basis of one-third each by the insurance companies and the pension funds, and the remainder by investment and unit trusts and by Finance for Industry (FFI), which represents the banking sector.

rigrous criteria

While anything which improves the variety of the provision for the financial needs of industry is to the good, proposals such as these seem rooted in the assumption that the criteria by which those needs are tested, by the banks and by the stock market, are too rigorous. It is far from obvious that this is so. In the last decade, the rate of accumulation of capital per head has been lifted, but the rates of increase of productivity and profits have not been lifted in proportion.

For the next decade, at least, the national interest surely requires not merely that the quantum of investment should be sustained but that its effectiveness in adding to national income should be increased. Indeed, our recent experience suggests that the latter aim might well command priority. Its achievement is not likely to be assisted by softening the criteria which investment projects must satisfy.

The need for higher returns from UK investment, is supported by international comparisons. These are often concentrated on gross investment as a proportion of gross domestic product, and on this measure the UK. occupies a low position relative to all major competitors except the United States, in which even so gross invest-

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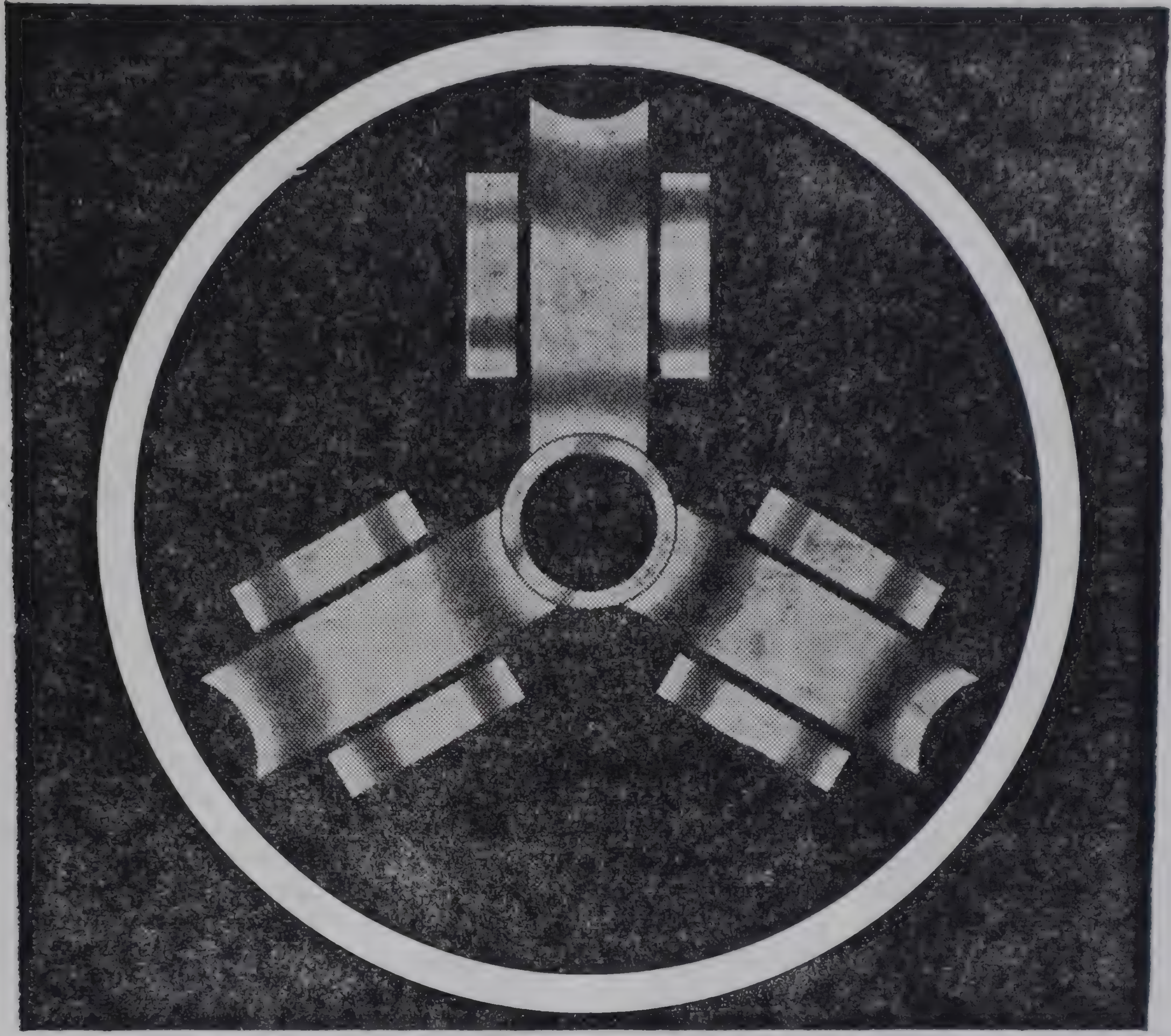

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ment per head is about twice the UK level.

The figures are set out in table below. The table also shows (in column 2) the ratio for each country of the increase in GDP between 1964 and 1973 to gross fixed capital formation in that period. Both GDP and capital formation are measured in national currencies at constant (1970) prices.

Column (2) crudely approximates the extent to which the resources put to gross investment yielded returns to the participants in the gross domestic product collectively. The UK, it appears, had not only the lowest-but-one ratio of investment to GDP, but the lowest increment to GDP for the gross investment carried out. (The low figure in West Germany is surprising.)

V

"PROFITS" NO LONGER A "DIRTY WORD"

A welcome recognition of this problem is the recent government White Paper entitled *An Approach to Industrial Strategy* (Cmnd. 6315), which recognises that industrial investment in the past has been too low and poorly chosen, and that an inefficient use of capital has resulted in a relatively poor return on new investment. Emphasis is placed on the importance of sustaining a "vigorous, alert, responsible *and profitable*" *private sector of industry, and there is concern that industrial profitability has been falling*. Reference is made to imperfections in the medium and long-term sections of the capital market; and although the government foresees the National Enterprise Board and FFI providing an important role, it states that the market should also be able to meet the needs of industry.

Some parts of the government's new initiative towards industry are already in operation. In November, 1975, the Industry Act created the National Enterprise Board and instituted Planning Agreements. Palnning Agreements between the government and major companies in some thirty key sectors of manufacturing industry are aimed principally at encouraging harmony with national policy but also to highlight areas of financial need and to increase "industrial democracy". Although not a contract as such, once a plan has been completed any official financial assistance agreed would be maintained in the future. If it became apparent that financial aid would be necessary for the company to comply with the plan, and it could not be supplied through existing channels of official investment incentives, then discretionary finance in the form of loans or grants would be made available through the 1972 Industry Act. The source of finance, however, might be of little real significance to large corporations with which the government would wish to enter into agreements.

The National Enterprise Board (NEB) will not play any role in the new planning system, unless it is involved in providing finance by way of loan or equity capital. NEB's role is envisaged as a promoter of increased industrial investment, expansion and efficiency. It is a state holding company, and is under an obligation to secure an adequate rate of return on capital employed overall, though the government may lay down different criteria for different assets and activities. Free negotiations can acquire shareholdings in profitable sectors of industry. The board has access to some £700m, and Parliament may increase this to £1,000m. NEB can exercise the full range of selective financial assistance available under the 1972 Industry Act. However, the provision of finance through equity, participation is not seen as the major role which NEB will play; and its power in this respect has been limited.

It would be rash to prejudice the performance of these instruments of the government's "industrial strategy", but the test will be not so much the scale on which they redirect resources into particular areas of the economy *as the returns they get out of them in increased output, per unit of labour and capital, of goods which people want to buy*. It goes without saying that the private sector is subject to the same test; and the proper function of the variegated financial institutions which populate "the City" is not simply to "meet the needs of industry", but to

Ratio of Increase in GDP to Gross Fixed Capital Formation : 1964-73

	Gross fixed capital formation as % of GDP (1)	Increase in GDP between 1964 and1973 as % of gross fixed capital formation (2)
Canada	21.8	24.1
USA	17.2	24.1
West Germany	25.9	17.2
Italy	20.6	23.1
Japan	33.5	27.8
France	23.8	23.0
UK	18.0	14.7

Note : Data in national currencies at constant 1970 prices, in percentage.

question, evaluate. order, and possibly reject the needs which industry canvasses by the test of the returns that meeting them may yield.

It would be surprising if the system lacked imperfections. Some are the results of government policy, such as the doubling of Stamp Duty in 1974, and the exemption from capital gains tax of gilt-edged securities held for one year or more, whereas no such privilege is accorded to holders of industrial fixed-interest securities. This discrimination reveals the government's concern to ensure that its own financial requirements are met. In this connection a NEDO paper has suggested that, in the interest of the supply of long-term finance for industry, the government might restrict itself in the extent to which it issues stock for maturities longer than eight years; but a shortening of the life of the national debt would not promote effective monetary management. The problem lies in the scale of the borrowing requirement itself. Another way in which government policy affects the flow of finance to industry lies through the imperfections of the housing market. The stranglehold of rent and planning of controls which discourage full utilisation of the existing stock of houses inflates the demand for new ones and the flow of savings into financing them.

short-term view

It is often said that the capital market works imperfectly in that it takes too short-term a view of the profitability prospects of firms seeking new finance. This is usually asserted with more energy than evidence, but in any case the timing of the future cash flows from a project cannot be regarded as irrelevant to its value. (One sometimes suspects it may be a case of: "my project has long-term benefits; your project is pie-in-the-sky".)

A sounder criticism, perhaps, is that the changeable moods of the stock market cause fluctuations in share prices which are wider than changes in the objective underlying circumstances may warrant, and that a steady flow of long-term finance through new issues is thereby inhibited. Here the banks play a shock-absorbing role, as they did once again in 1974, carrying firms over until the time is ripe to rebalance their capital structure. Nevertheless, it is here that the Equity Bank or such like institutions may be able to make an additional contribution, it shouid be made to reduce short run fluctuations in the flow of long-term finance rather than to soften in the long run the average terms on which it can be obtained.

not absolute

Investment in physical assets is not *an absolute good.* Except in conditions of substantial unemployment like the present, which we must not expect to be typical of the longer term, investment (like public expenditure on goods and services) claims real resources which could be used for current consumption.

Note that the recent White Paper on Public Expenditure to 1979-80 calculates that, even on the assumption that the growth of public expenditure is severely restricted, the room left for growth of privately-financed consumption will be small; and this is not simply due to the need to divert resources into rectifying the balance of payments, but also to the scale of investment which is called for by present norms of capital input required to produce a unit of output.

potential providers

The question whether the returns from the postponement of consumption are up to some minimum standard is one which the potential providers of funds, when they ask it in their own interest, are also asking as proxies for the wider interest. Two hundred years after the publication of Adam Smith's *The Wealth of Nations* it has to be recognised that there are cases in which the prospective profitability of an investment understates the social benefits obtainable from it; and if governments have the skills to identify such discrepancies they can act to correct them where they occur in particular cases.

But a general relaxation of the normal tests is unlikely to make for the more efficient selection required to improve the returns on the resources committed to investment. The time may have come to assert the priority of this objective, and the positive part which our financial institutions play in it.

Sources and acknowledgments : The foregoing is summarised from the latest issue of the Midland Bank Review (Poultry, Londno EC 2 P:2BX) but the bank is responsible neither for the wording of my summary nor for my interspersed comments.

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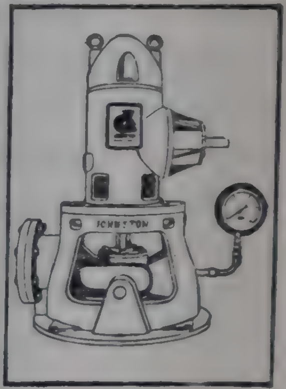

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Developing water resources

Second India Studies—Water: M.C. Chaturvedi; The Macmillan Company of India Limited: Pp 94, Price Rs 8.

Workers' Education in India and Abroad: The Employers' Federation of India, Bombay; Pp 95; Price Rs 7.

Employment, Growth and Basic Needs: A One-World Problem: International Labour Office, Geneva; Pp 177; Price 20 Swiss francs.

Regional Imbalances in Maharashtra: Maharashtra Economic Development Council, Bombay; Pp 43+xxxii; Price Rs 15.

Jakarta—Urban Development and Employment: S.V. Sethuraman; International Labour Office, Geneva, Pp 154; Price 22.50 Swiss francs.

Business, Economics and Planning: Edited by P.K. Ghosh; V.S. Minocha, D.B. Gupta; Kalyani Publishers, Delhi; Pp 322; Price Rs 45.

THE DYNAMICS of India's population growth would mean that the number of people is India will almost certainly double within the next thirty to forty years, however vigorously and efficiently the family planning programme is pursued in the country. Such a super-exponential growth of India's population will mean that by about the year 2000 "a second India will be added to that which now exists". This would pose a challenge for the Indian nation, namely how to secure "meaningful and productive lives for more than hundred crores of people".

Second India Studies—Water examine the dimension of this challenge and makes an attempt to identify alternative courses of action open for the country. The series includes sectoral studies of the nation. This book by M.C. Chaturvedi, one of the second India studies, aims at analysing and quantifying in the context of a super exponential growth of her population, the supply potential of water in relation to the anticipated demand for it and has shown that revolutionary steps will have to be taken to prevent a serious crisis on the water front. Since water is such a vital ingredient for the all round progress of India, it would be instructive to know what the author has to say on this vital question.

Excepting air, nothing is more vital for plant, animal and human life than water. The uses of water in a human life are varied. It is essential for myriads of activities in which man is getting increasingly involved. Agriculture requires vast amount of water. Irrigation for example, takes 500 kg of water, to produce one kilogram of wheat. The industrial thirst is equally acute. For example, each kilogram of steel and synthetic fibre require as much as 250 kg and 20,000 kg of water respectively, Again water is an important source of energy and provides important means of inland transportation. Water is essential not only for the sustenance of human life and activities but for quality of life as well.

Man has realised the importance of water from the dawn of history. Civilizations grew around water, flowered and withered depending on people's capacity to use water resources intelligently.

Since second India will be added to the existing one within thirty to forty years, the problem of water resource for India's future appears very formidable. There is an urgent need for rapid economic growth, and for increase in food and energy production in view of the present low levels of their availability and increasing demands of an exploding population.

Water is the most crucial resource that must be developed to meet these demands. And yet with about 50 per cent of the available water resource already committed by 1973-74, it has been possible to support irrigated agriculture only on about 26 per cent of the land and barely provide tolerable drinking water facilities to about 10 per cent of the population. "Diversion and damming of rivers have rendered long stretches of natural flowing river-stretches waterless, denying even normal water availability to population centres which had grown around them and waterlogging large areas elsewhere".

wider dimensions

The author has emphasised that to banish poverty, water resource will have to be developed at a faster pace to meet the challenges of the second India and if India is not to get caught "in the historic trap of depletion of water rsesources, pollution and environmantal degradation consequent upon increasing water use, urbanisation, industrialisation and modernisation of agriculture through insensitivity to the wider dimensions of the problem."

The issues involved are: What is the position regarding availability of water? What will be the magnitude of water demand in future? How can the demands be met? What will be the management problems? And what policies and programmes should be undertaken to resolve these problems? According to the author, India is well endowed with water resources (average precipitation being 119cm as compared to the world average of 99cm). But there are spatial and temperal variations in most parts of the country which can easily be 30 per cent above or below the mean. There are even greater monthly variations.

present commitments

The development of water resource is important in any society, but more so in India in view of arid monsoon climate and predominantly agrarian economy. With the present commitment of 50 per cent of the utilisable water resource currently estimated at 92.70 mhm, it has been possible to provide irrigational facilities to only about 26 per cent of the sown land, water supply at the barest level to about 5 per cent of the villages and water supply with water-borne sanitation to only about 30 per cent of urban population.

Future developments will make very heavy demands on India's capabilities and water resource. With the present trend of development, the utilisable water resource would have been completely withdrawn as early as 1990, creating serious scarcity leading to unimaginable difficulties. Free flowing rivers will become unknown. The return flows seriously polluted by domestic use, industry and agriculture would have increased several times producing a stinking and degraded environment which would be a serious health hazard. Even then, only about 70 per cent of the villages in India will have been served with organised water supply and only about 50 per cent of urban population can be supplied with water-borne sanitation.

Agriculture will continue to remain the primary user accounting for about 89 per cent of water-use, but only about 50 per cent of the sown area would be marginally irrigated even with complete utilisation of India's total water potential. Besides the strain on water resource, the strain on organisation and needed financial commitment would be gigantic. All this means that the serious predicament that awaits us can be avoided only if "there is revolution in our concepts, organisation and capability, and immediate action is taken to meet the critical situation ahead."

According to the author, water must be treated as a national resource. Water resource development must be looked into in its totality, instead of "the present fractured single-discipline bureaucratic approach." Suitable legislation must be enacted for the purpose. A unified organisation has to be developed at the centre and in the states for the totality of development, management and utilisation. According to the author, development must be planned in terms of viable planning regions such as river basins which should be linked to a national plan over space and time.

organic link

The water resource planning must be organically linked with the total socio-economic planning. Comprehensive long-range water plans using the systems approach aided by computer-aided mathematical models should be mandatory. Individual projects should be identified in capacity, scope and timing and should be duly meshed and orchestrated with regional plans. Detailed design and construction plans should be developed far ahead of time. According to the author, the present technological and managerial capabilities are thoroughly inadequate for the task. Capabilities must be updated in all facets of engineering—planning, design, construction, management, research and education. Planning has to be both macro-comprehensive planning utilising the latest computer-oriented systems approach and micro-comprehensive planning up to unit farm and individual level.

Emphasis must be laid on conservation of available stock of water and new ways must be developed for augmentation of water resource. Even more urgent than development is management and utilisation. "The old and continuing bureaucratic-colonial concept of maintenance has to be replaced by management of water and related land resources for optimal economic and social welfare and environmental preservation and improvement." Utilisation of water by individuals has a key role to play. Through proper education and extension service and non-formal education, agriculturists must be taught to use water more effectively and productively than at present.

One hardly realises the terrifying dimensions of the water problem before India until one reads this excellent book by M.C. Chaturvedi. Unless something drastic is done on lines suggested by the author, a major catastrophe is bound to overtake India by the beginning of the next century. It is hoped that this book would motivate India's policy and decision-makers to act now to meet the challenge which awaits us by the turn of the present century.

WORKER EDUCATION

The monograph *Workers' Education in India and Abroad*, makes an attempt to trace the history and development of workers' education under the government-sponsored scheme in India, to note its salient features and to assess its impact in relation to its underlying objectives. The value of education as an instrument to secure the intellectual and moral development of individuals has been stressed by all. This emphasis on education has stemmed from the realisation that education by promoting right intellectual attitudes in individuals would help to cure social ills and establish social order based on cooperation, harmony, social justice and peace.

The rapid progress in technology during the 19th century has only enhanced the importance of education because of increased demand for a variety of skills and expertise necessitated by industrialisation. This emphasis on education has been further strengthened by widespread influence and acceptance of the ideals of democracy.

ideal instrument

Naturally with the spread of modern industrialisation the education of the working class has assumed considerable importance in India in view of their rural background and cultural backwardness. Education is considered an ideal instrument to equip the workers with the requisite skills and knowledge to work on the highly complex and sophisticated machines and to imbibe the values of and discipline of the new industrial culture. Naturally this growing awareness about the value of education has created considerable demand for further education among the working classes everywhere. Initially this demand received different responses in different countries. The first attempts in most of the countries did not fully meet requirements of workers and trade unions. Gradually therefore improvement is being brought about in the sphere of workers' education.

The movement of workers' education in the UK was placed on a lasting footing with the establishment of the Workers' Educational Association (WEA) in 1901 which devised and organised special courses for workers and also brought in university and other educational institutions in the conduct of workers' education. The valuable work rendered by this association led to the constitution of similar associations on the continent during the inter-war period.

The formation of these associations and the active interest taken by the International Federation of Trade Unions helped to define more sharply the scope and role of workers' education. But workers' education acquired the character of world movement only after the second world war thanks to the establishment of the International Federation of Workers' Education Association in 1947 and the active support of the ILO. At present, the promotion of workers' education has become an essential plank in an effort designed to promote orderly and peaceful industrial relations and in promoting a sense of partnership between industry and labour.

Recognising its importance, the government of India has also introduced the programme of workers' education since 1958 in cooperation with the organisations of employers and workers. As regards workers' education in India, the monograph has made some very valuable suggestions. There is the suggestion that in view of the goals of removal of poverty and realisation of self-reliance, the pace of training of workers under the present scheme should be accelerated.

great need

As the fifth Plan places heavy emphasis on promotion of labour-intensive techniques to increase employment, there is all the greater need for promoting workers' education in India. This naturally calls for sustained education of workers in the kind of commitment and discipline needed for the execution of planning. The need for such training assumes even greater urgency in view of the likely rise in labour force engaged in various segments of the organised sector of the Indian economy.

The authors of the monograph have urged that the scheme for workers' education in India needs to be given higher priority than hitherto in the allocation of resources in the central budget. Further, in as much as workers' education is a post-literacy programme, it is necessary that efforts be made by the state to remove illiteracy among workers. In fact, the National Commission on Labour has also urged the government to undertake an extensive programme among workers for the purpose.

The rapid progress of industrialisation which has been envisaged in the fifth Plan provides both a challenge and an opportunity for workers' education scheme to realise its underlying objectives. Its success in realising these objectives will depend, in part, on the urgency with which action is taken to improve the coverage and impact of the programme, but in the main, on how workers and employers react to it. This naturally underlines the need for sustained propagation of the importance and value of workers' education among both workers and employers.

As the monograph rightly stresses "In the mixed economy model which this country has adopted for its social and economic development, it is essential for the parties to foster a measure of cooperation, tolerance and discipline which are a pre-condition to carry out the task of national reconstruction as visualised under the Plans." Workers' education scheme, as the monograph has rightly emphasised, will have to shoulder the major burden of bringing about this realisation.

GIGANTIC PROBLEM

At present in spite of the immense efforts that have been made both at the national and at the international level, a significant portion of mankind continues to eke out an existence in the most abject conditions of material deprivation. In the world, more than 700 million people live in acute poverty; at least 460 million people are estimated to suffer from a severe degree of protein-energy malnutrition. Scores of millions live constantly under a threat of starvation. Countless millions suffer from debilitating diseases of various sorts and lack access to basic medical services. The squalor on urban slums is too well-known. The number of illiterate adults was estimated at 760 million in 1970. The tragic waste of human resource in the third world is symbolised by nearly 300 million persons unemployed and underemployed in the mid-1970s.

It is well-known that the fight against unemployment and poverty has been the main concern of the ILO throughout its more than 50 years of existence. The World Employment Conference was held under the auspices of ILO and *Employment Growth and Basic Needs: A One-World Problem* contains the report of that conference.

A number of issues were raised at the conference. The key policy issues were as follows. Even on the assumption that changes are made in international trade and other aspects of economic relations between different states to support national development efforts, this report stresses that "nearly all developing countries will need to undertake a thorough reappraisal of their economic and social development policies in order to satisfy the basic needs of the poorest members of their population." In essence this approach implies that "developing countries will need to set targets not only for increased output but also for increased consumption by the very poor, and to adjust their development policies and strategies accordingly."

minimum needs

While the basic needs will vary from country to country, it is considered desirable to establish a minimum level of basic needs as targets to be achieved by the world community within the next generation. This level might be embodied in internationally agreed policies. ILO may revise its standards on that basis.

The report stresses that one major element in the reorientation of development policies to meet basic needs is to increase the productive income-earning opportunities of the working poor by means of significant redirection of investments. This would imply that throughout the next 25 years or so, as growth proceeds, the resources becoming available for investment are more effectively channelled to meet the needs of the working poor, enabling them to secure employment and increased productivity and hence their incomes. The report also emphasises that it may be necessary to go beyond the 'incremental approach' of redistributing additions to a country's resources resulting from economic growth. and "to redistribute also some of the present 'initial' incomes so that basic needs of the poor can be met earlier.

balanced approach

The report also suggests that in addition to the above redistributive policy, other policies in various fields including incomes and price policies, role of the public sector, choice of production techniques and population policies will have to be devised and adopted to solve the problem of the vest majority in the world. The report has also emphasised that if a basic-needs strategy is to be adopted, this will require a more balanced combination of a labour or employment-intensive growth-path with the adoption of capital-intensive technologies in only certain selected sectors of the economy. Considerable amount of research will have to go into this field before we arrive at techniques suitable to the different circumstances of different developing countries.

In the early years of international cooperation for development, it was assumed that widespread poverty and employment problems in developing countries would be rapidly overcome by measures to accelerate economic growth. This was the thesis of the first development decade in the 1960s. But there was great disappointment on account of the failure to realise the above objective. The development strategy for the second development decade laid emphasis on employment and this report, as seen above, has tried to analyse this problem on a global scale and suggest measures for its solution.

One wonders whether the strategies suggested in this report are adequate to solve the immense problem of poverty of more than 700 million people mostly living in countries of the third world. The strategy will have to be based on vast transfer of resources from the developed to developing countries in the shape of better terms of trade for commodities exported by the developing countries to developed countries. If technological progress and more production in developing countries is simply going to mean still better terms of trade for developed countries, it is the people in developed countries who would benefit in the form of rising profits and wages from any progress in developing countries and not the people from these developing countries. The strategies suggested are therefore clearly inadaquate and would not be sufficient to solve the problem of poverty in the face of developed countries ganging up against the developing countries.

REGIONAL DISPARITIES

One of the most important objectives of the fifth five-year Plan is to raise the levels of living of the lowest 30 per cent of India's population. In view of the fact that majority of this segment of India's population lives in relatively under developed regions, accelerated development of these regions and the consequent reduction of regional disparities have been receiving maximum attention in the formulation of development plans. But it has been realised that the problem of development of backward regions in a state is a very complex problem, difficulties being experienced even in the identification of such regions. The paucity of relevant data and the conceptual and methodological inadequacies make the problem of planning and resource allocation for the development of the backward regions very difficult.

One important step taken towards the successful tackling of the problem of backward regions relates to the formulation of district plans in the states on the basis of selective and integrated strategies. The states are asked to give priority in this matter to underdeveloped regions on the basis of criteria appropriate to the psycho-geographical and socio-economic characteristics of each state. Efforts are also being made to prepare tribal sub-plans and to adopt location specific minimum needs programmes.

socio-economic indicators

The *Regional Imbalances in Maharashtra* is based primarily on the data regarding 36 socio-economic indicators such as total population, urban and rural population in a region, geographical area, cropped area, net sown area, irrigational potential, output of different agricultural produce, levels of education, hospital beds, radio licences, banking offices, road length, agricultural pumps, factory employment, bank advances to co-operative societies and so on and so forth. The data is presented for the decade 1961 to 1971. The state level values of these 26 relative indicators are used as norms. Administrative divisions are considered as regions. Equality between the regional level value of a relative indicator and state level value of the same indicator is defined as 'a state of balance' and inequality between the two as 'a state of imbalance'.

This study has indicated that though there has been some reduction in disparities among the regions in Maharashtra in respect of majority of indicators referred to above during the decade 1961-71, the rate of reduction of disparities is very slow and far from being satisfactory. The study therefore has emphasised that it is absolutely necessary to devise effective steps to accelerate the tempo of balanced economic development of Maharashtra.

The authors of the monograph are of the opinion that in devising developmental strategies with a view to reducting disparities, constructive use should be made of the classification of development outlay and normal outlay. Development outlays should be confined as far as possible to those sectors and regions where the balance ratios are unfavourable indicating the relative underdevelopment of the concerned region in respect of those sectors. Purpose-oriented classification of underdevelopment based on objective criteria like those of balance ratio is operationally more meaningful than the usual general classification of underdevelopment with respect to regions.

central control

Those aspects of the regional economies where the need for balance is deemed crucial should be under the central control either at the state level or at the national level. Priorities in respect of these aspects should be based on uniform criteria in all regions and should aim at regional balance. In providing development outlays, different unit costs of development in different regions should be fully taken into account to ensure material balances rather than financial balances. Further, given an average growth rate for the state of Maharashtra, different growth rates for different regions in the state should be calculated with a view to reducing the existing imbalances.

It is found that the index of regional imbalance in Maharashtra as compared to the country as a whole has gone up. This has been largely due to the most unsatisfactory performance in the agricultural sector and in providing infrastructure facilities for industrial development in backward regions in the state. The monograph therefore has emphasised that the performance of the state in all sectors vis-a-vis the country should be continually reviewed and effective strategies devised in the light of the same for ensuring rapid economic development and adequate regional balance. The authors have emphasised that the institutional machinery relating to agricultural development in the state should ba revamped.

farm credit

The end-use of agricultural credit should be effectively supervised and adequate incentives be provided to raise agricultural productivity. Every effort should be made to ensure full utilisation of available irrigation facilities and concerted efforts should be made towards full utilisation of all the irrigational potential in the state. The state is very backward in respect of road development. The development of roads should therefore be given high priority. The employment guarantee scheme should in particular be oriented towards accelerating surface roads and development efforts in backward regions. Further, there is urgent necessity of providing increasing banking facilities and finance in underdeveloped regions in Maharashtra.

The coefficients of localisation in respect of most of the industries in Maharashtra are quite low indicating their high propensity for dispersal. With well-thought out and effective measure, it should be possible to ensure dispersal of industries at an adequate level within a reasonably short period. A long-term scheme of providing adequate facilities, incentives and subsidies in respect of expenditure incurred in shifting of plants and machinery, housing of workers and retrenchment compensation should be evolved in consultation with the leading representatives of the concerned industries for encouraging shifting of industrial units from developed areas to backward regions in the state. Also the government of Maharashtra should identify and develop half-a-dozen growth centres at places like Nasik, Nagpur, Aurangabad and Kolhapur.

The government should also help to establish at these growth centres large-scale propulsive industries in private or joint sectors with a network of ancillary, supplementary and other interrelated industries. Also the government should select one or two growth centres in each district which would be viable in respect of land, water, communication facilities etc for a population of about three lakhs. As entrepreneur is the architect of development, government should take steps to 'create' entrepreneurs in underdeveloped areas by establishing suitable institutions to train them.

The monograph has also made a very important suggestion that data gaps in the state economy should be quickly removed with a view to facilitating policy formulation. Disaggregated data up to at least the district level is necessary for facilitating framing of development plans and strategies at the district level.

universal application

The problem of regional imbalances is not confined to the state of Maharashtra, for there are even greater regional disparities in some other states like UP in India. This study therefore should be of relevance to other states also where such studies should be undertaken and policies framed and executed for removing regional imbalances.

India is a vast country marked by heterogeneity in practically every feature, be it geographical or socio-economic. And yet high level aggregation is a prominent feature of many of our economic studies which under the circumstances becomes rather misleading The monograph therefore has rightly emphasised that it is necessary to carry on the process of disaggregation as far as possible. This will help fulfilment of the first requirement of policy-formulation for removing regional disparities. This monograph has provided an excellent model for locating underdeveloped regions in a state and evolving suitable policies for removing regional disparities which, if allowed to persist, carry dangerous social and political implications.

URBAN PROBLEMS

Jakarta—Urban Development and Employment by S. V. Sethuraman deals with the causes and effects of urbanisation is Jakarta.

Jakarta, the largest city on the most densely populated island of the Indonesian archipelago, offers one of the world's more striking examples of the problems raised in the developing world by rapid urbanisation. Even a conservative estimate of income growth in Jakarta in recent years suggests that the regional gross domestic product may have been growing at an annual rate of six to seven per cent. And yet surprisingly the contribution of manufacturing sector to the regional income is quite small when compared with say, that in Calcutta, while agriculture occupies a significant position in terms of both income and employment generation. In fact, surprisingly the manufacturing sector performed so poorly in 1960s that employment in that sector in Jakarta decreased by about 25 per cent from its 1961 level. In contrast, trade and services sectors occupy a dominant position in the regional economy, imports in particular playing a key role.

Besides the impressive income growth originating from the relatively labour-intensive sectors, Jakarta has been fortunate in being able to attract the lion's share of the approved domestic and foreign investment in recent years. It would appear that such investment has made a significant contribution to employment generation. It is therefore reasonable to conclude that the pattern of economic growth in Jakarta has been mainly labour-absorptive in character. The growing importance of tourism and its related industries together with the composition of investment proposed would appear to promise that labour-intensive pattern of economic growth will continue in Jakarta in the near future as well.

The author has pointed out that in comparison with the performance of private domestic and foreign investment, the role of public investment in Jakarta has been relatively insignificant. Public investment has been only around three per cent of gross domestic product. It is also seen that over three-quarters of the housing units in the city are either temporary or semi-permanent and millions of persons live in the outskirts of the city with the minimum of amenities. This emphasises the need for massive urban development expenditure. The lagging supply of public goods and services essentially reflects the inadequate resources at the disposal of the regional government, despite the fact that public revenues have increased substantially in recent years.

rapid urbanisation

The reasonably good performance of the regional economy would not however lead to any substantial increase in the standard of living of a great majority of people in Jakarta because of rapid urbanisation in that place, the rate of growth of population in Jakarta being practically twice the national population growth rate. Migration has thus played an important part in swaying Jakarta's population. It is typical that Jakarta represents a case of 'urbanisation without industrialisation'.

Jakarta is facing the tremendous problem of unemployment and underemployment especially among the young and uneducated migrants to that place. But outwardly the degree of unemployment appears to be less than what actually it is. This is because of the existence of the urban 'informal sector' consisting of many economic units producing a variety of goods and services, using labour intensive indigenous technology with little capital and often with no fixed location for business operations. Almost half of the employed population of over one million are thus engaged in the informal sector, the bulk of them in informal trade and service activities.

dominant position

The informal sector enterprises thus occupy a dominant position within agriculture, construction and transport sectors. The informal sector in Jakarta appears to have played a key role in absorbing migrant labour, although at a wage rate significantly lower than that in the formal sectors of the regional economy. The easy access to jobs in the informal sector enterprises, the migrant's skill constraints, the non-availability of jobs in the formal sectors and government and the inability of migrants to wait for long periods of time for well-paid jobs all seem to have contributed to the swelling size of the informal sector and a relatively lower rate of open unemployment in Jakarta.

As regards the emerging trends, the author thinks that income and employment in Jakarta will continue to grow at an impressive rate as in the past. The manufacturing sector in particular is likely to show better performance in contrast to the situation in the past. It is also likely to generate substantial direct and indirect employment even allowing for its capital-intensity. But it is not clear that trade and service sectors will expand as fast as in the past. The emerging population trends cannot but be a source of concern for the policy-makers. Jakarta may have alone eight million people by 1981, if migration continues at the same rate as in the past. Though the government is taking a number of steps in recent years to improve a number of facilities for people in Jakarta, efforts will have to continue to stimulate greater private investment especially in residential housing.

As regards the future, the author is of the opinion that it will not be enough if the government takes step to improve housing and employment conditions in Jakarta as such a policy will produce boomrang effect encouraging further in-migration aggravating the concern among policy-makers. It is therefore clear that a host of other policies will be needed, if the aim is to seek a satisfactory and stable solution to the problems of urbanisation and unemployment in Jakarta. Such supplementary policies will have to aims at slowing down, if not arresting, the migration inflow into Jakarta. As noted by the author, "The national government is alive to the prospect of a large Jakarta and accordingly taking major steps to reduce migration through an extensive rural development programme, a programme of regional government (co-operation) and aid to secondary cities and a programme of transmigration from Java to the outer islands."

If would be interesting if some Indian scholars undertook similar studies of Bombay and Calcutta. Problems faced by most cities appear similar and yet there are differences and each city will have to evolve its own policy to solve the problems confronting it.

FITTING COMMEMORATION

The book *Business, Economies and Planning* contains a collection of articles on business, economies and planning in honour of Prof P.K. Ghosh by his students and admirers. In this brief review only a passing reference can be made to some of the outstanding articles.

A.K. Das Gupta's foreword is masterly and its reading would be found most rewarding. Having traced the development of economic theory from the classical school, to the neo-classical school and marginalists and to J.M. Keynes and having also emphasised the fact that economic theory as taught in the Indian universities and as we know is the product of western conditions evolving as it did to help western people to solve contemporary economic problems faced by people in thos countries, the basic question tha arises is whether that economic theor has any relevance to underdevelope countries and if not, whether we shoul abandon it altogether.

pick and choose

Myrdal, for example, has been harping on this theme ever since he turned his attention to economies of underdeveloped countries. But Myrdal seems to offer little by way of an alternative system. According to Das Gupta though perhaps we need a new system and one day may evolve one, until then we shall have to pick and choose from the existing systems. According to him, "After all, there are elements in existing systems which can very profitably be assimilated into the economies of underdeveloped regions. Smith's productive labour, Ricardo's net revenue, Marx's extended reproduction scheme, Keynes's inflationary gap — these are tools of analysis which, be they of western origin, are of indispensable aid to an understanding of the basic problems of under developed regions. I would have them by all means." He firmly believes that the propositions of economic science that we have learnt and are supposed to teach in our class rooms are not, despite dissenters, altogether purposeless or irrelevant.

Writing on 'Environmental Scanning for Corporate Planning in India', C.D. Wadhava has concluded that "the analysis of external environment is crucial to the process of strategic planning of a large and diversified industrial enterprises in India where the governmental policy is acting as a dominant force in shaping the future of such enterprises with the twin objectives of accelerating the rate of economic growth and reducing the degree of concentration of economic power in the economy." According to the author, the task of environmental analysis for corporate planning with a horizon of next five years becomes quite difficult in view of frequent changes in governmental policies and regulatory conditions. He therefore opines that it is necessary to formulate an operational framework for environmental analysis for a systematised exercise of strategic planning.

Writing on 'Entrepreneurship in India', R.A. Sharma has pointed out that at the level of small entrepreneurship, the study reveals that the entrepreneurs coming from non-business classes depend to a greater extent on external sources of finances as compared to those who come from business classes. Among external sources the specialised financial and development institutions constitute by far the most important sources of initial finance. These institutions, according to the author, are attracting people to industry from a wider background. The author has found that over a period of time, the extent of institutional assistance has increased in the case of all categories of promoters, but the bill in favour of new entrepreneurs in matters of dispersal as well as extent of financial assistance is very great. The author therefore has concluded on the basis of his study that newly established financial and developmental institutions "have made a significant contribution to the growth of new entrepreneurship".

worker directors

Writing about 'Worker Directors on Company Boards' P.K. Ghosh has remarked that a number of questions arise in regard to worker directors. For example, how should the worker director be identified? By election or nomination? Should those criteria include nominal shareholding as well as minimum educational background? Should the worker directorship be restricted to union members only? If so, should the workers' representative be directly elected by union members or nominated by the union executive? These and similar questions will have to be satisfactorily answered before the scheme is put into operation. The author is of the opinion that the role of trade unions in this arrangement has to be one of the direct involvement as trade unions have come to stay and cannot be wished away. Indeed collective agreements would be sustained effectively through the continuous interaction between the worker director, members of the union executive and top management personnel.

teaching economics

Prof H.K. Manmohan Singh has written an excellent article on "The Teaching of Economics in Indian Universities'. He has shown how most of what is taught to B.A. & M.A. students of the Indian universities based as it is on syllabi adopted in the universities in the UK and the USA has practically become irrelevant, if not thoroughly useless. He wants that the whole system of papers and their content should be overhauled so as to correspond to the Indian environment and serve the needs of the country. In fact the author has given the details of such a scheme in his article. This article should be read by every member of the board of studies in economics in various Indian universities.

It is high time that the syllabi in various papers in economics were redrawn and the waste of time and energy which at present is taking place in learning things (eg. most of the theory of value as taught at present) is immediately stopped. Lipsays' Positive Economic and ACL Days' Outline of Monetary Economics which were found unsuitable for use in the USA find their place in the list of books published by practically every Indian university!

Writing on 'A Level of Living Index for India, D.B. Gupta has concluded that on the basis of composite indices of the levels of living. Tamil Nadu, Maharashtra, Punjab, Kerala and West Bengal were the most prosperous states during 1955-56, while UP, Bihar, Andhra Pradesh, Madhya Pradesh and Orissa had the lowest levels of living. The author has further opined that while it was heartening to observe some reduction in inter-state disparities in the levels of living, a rather depressing fact which has emerged from the analysis is that even the most prosperous state is nowhere near the 'ideal' state!

Writing on human resources development, O. P. Chopra has opined that increased expenditure on education can achieve high level of human resource development. This means that if rural areas are to be developed and urbanisation is to be discouraged, there should be ample opportunities of education in rural areas.

S. S. Mehta has written an excellent articles on 'Possible Forms of Economic Cooperation in Asia'. There can be various forms of economic cooperation among nations of a continent. Such cooperation among nations can take the form of trade agreements, bulk purchases and state trading, regional commodity stabilisation agreements, selective trade liberalisation, free trade area, customs union, common market, sectoral integration, harmonisation of development plans, economic union and so on. According to the author, countries in Asia can immediately start with harmonisation of development plans, selective trade liberalisation and trade-cum-investment programmes.

sub-regional grouping

There is enormous scope and also need for sub-regional groupings in Asia. For example, there are excellent reasons for cooperation among India, Pakistan and Bangladesh. Economic cooperation among them will not only be economically advantageous to all the three, but it will also be the surest guarantee of long-term peace and stability in the sub-continent. The author is firmly of the view that India should not sit pretty but should endeavour to promote regional cooperation, though there might be setbacks in the initial stages.

The three editors have chosen a good way of paying their respects to their teacher. While not all articles are of desirable quality and standard. some of them are really good and they enhance the value of this commemorative volume.

Space and all about it

India in Space: by Mohan Sundara Rajan: Published by Publications Division, Ministry of Information and Broadcasting, Patiala House, New Delhi; Price Rs 5; Pp 92,

Reviewed by **Kevy**

THE FIRST equatorial launch station to receive the sponsorship of the UN is the one at Thumba located near Trivandrum. Thumba has launched sounding rockets (a rocket used for studying the atmosphere is called a sounding rocket) produced by the USA, the UK, the USSR, France, West Germany and Japan. The significance of Thumba is its proximity to the magnetic equator which is not the same as the equator. This has earned Thumba the sponsorship of the UN.

Rocketry calls for the most efficient propellents that can burn even in a vaccum. "The first flight test with Indian made propellant proved a shade better than the French original and the Centaure rocket soared five kilometres higher than expected." That was a solid propellant. As liquid propellants are more efficient and amenable they too have been indigenously made and proved successful.

On May 15, 1973 the first liquid propelled rocket was launched from Sriharikota. Sriharikota is an elliptically shaped island 27 km by 9 km on the eastern coast of India adjoining Nellore district in Andhra Pradesh The whole island cleared of the original inhabitants is being developed as a full-fledged cosmodrome. The lauching of rockets into the Bay of Bengal poses no hazard to human lives. The Thumba launching grounds are surrounded by areas which are heavily populated. Rockets launched over the Bay of Bengal can take advantage of the earth's eastward spin.

Only after mastering rocket technology can the feat of lunching a satellite be attempted. The booster rockets have to put the satellite in orbit. Aryabhata our first satellite whose entire designing, fabrication and testing were done by Indians was launched on April 19, 1975 from a Soviet launch pad. Even though our achievement in satellite technology is modest compared to that of the big powers and some western nations, it points to a future of hope. Space technology can be effectively employed in television, communication, meteorology, resources survey and many other areas of economic activity. It is therefore imperative that India should have her own space technology. Borrowed know-how may not be available to us on time. And even if available it would have to be modified to suit our environment.

India in Space Covers a good deal of interesting facts like the basic problems in space and the manner in which they are solved, the disposition of the atmosphere, and the ionosphere and the achievements of Indian scientists. Though the opening remarks of the first chapter give the promise of a technical subject being made intelligible to the layman the narration soon slips into scientific jargon on many occasions. Discussing propellent blocks the author says: "It can burn like a cigarette from top to bottom, in which case, it is called an end burning propellant. Or it can burn radially through the whole length of it". One is puzzled over the second sentence. However, the book provides instructive reading.

Books received

Journey to the Mint Road and Other Essays in Monetary Economics : U. S. Navani; Published by U. S. Navani, 10 Highland Society, Pali Hill Road, Bombay-400050; Pp. 155; Price Rs. 30.

Accounting and Finance for Managers : B. K. Chatterjee; Jaico Publishing House, 121, Mahatma Gandhi Road, Bombay-400 001; Pp. 622; Price Rs. 60.00.

Industrial Purchasing and Materials Management : H. L. Chadha; Jaico Publishing House; Pp. 203; Price Rs. 30.00.

Agricultural Manpower and Economic Development : B. P. Ratnawat; Popular Prakashan, 35-C, Tardeo Road, Bombay-400 034; Pp. 290; Price Rs. 50.00.

India and Its Native Princes : Louis Rousselet; B. R. Publishing Corporation; Pp. 619; Price Rs. 175.

The Economic Life of a Bengal District : J. C. Jack; Agam Prakashan, 1736, Trinagar, Delhi-110 035; Pp. 158; Price Rs. 40.00.

The Religious Problem in India : Annie Besant; Agam Prakashan; Pp. 120; Price Rs. 15.00.

Dibongiyas : P. C. Saikia; B. R. Publishing Corporation; 461, Vivekanand Nagar, Delhi-110 052; Pp. 109; Price Rs. 35.00.

Naga Polity : M. Horam; B. R. Publishing Corporation; Pp. 161; Price Rs. 50.00.

The Works of Sir William Jones (Vol. I) : Lord Teignmouth: Agam Prakashan; Pp. 409; Price Rs. 125.00.

Financial Institutions of India : Edited by Vadilal Dagli; Vora and Co. Publishers Pvt. Ltd., 3, Round Building, Bombay-400002; Pp. 338; Price Rs. 40.00.

Taxation of Agriculture in India : P. K. Bhargava; Vora and Co. Publishers Pvt. Ltd; Pp. 111; Price Rs. 20.00.

TRADE WINDS

Steel Pipes & Tubes' Diversification

THE GOVERNMENT has been considering the question of extending the facility of diversification to the undertakings engaged in the manufacture of steel pipes and tubes. It has now been decided that undertakings engaged in the manufacture of steel pipes and tubes covered under Schedule Industry 1A(5) may be allowed full freedom for diversification of their production into the manufacture of ERW precision tubes and pipes of larger diameter (upto 10") within the overall licensed capacity of the undertakings. This will be subject to the condition that no import of capital goods will be allowed and that balancing equipment that might be needed for this purpose would be procured indigenously.

All Types

This facility will be available to all types of undertakings. For this purpose, it will not be necessary to go through the usual procedure for industrial approval. The Joint Secretary in the Department of Heavy Industry has been authorised to receive applications for such diversification and to accord necessary approval to such proposals. It is expected that applications for such diversification will be dealt with speedily and that final disposal will be communicated to the party within a period of two months.

In order to ensure fuller utilisation of existing installed capacity, the government has, in past months, taken a number of steps and announced special procedures for according diversification facilities to industrial undertakings engaged in the manufacture of industrial machinery, machine tools, electrical equipment, steel castings, etc.

Panel for Bicycle Industry

The ministry of Indstury and Civil Supplies have constituted a Development Panel for bicycle and bicycle components industries to consider and suggest measures that are necessary for further growth of these industries. This step has been taken in view of the importance of the bicycle as a common means of transport and its export potential.

The panel will devote special attention to aspects of technological and material inputs. Reduction in cost of production through measures like value engineering and standardisation in order to stimulate the demand will also be taken up by the panel. It will recommend special measures for increasing exports of bicycle and bicycle componets.

The panel consists of representatives from the bicycle and bicycle components industries, the Trade Development Authority, research institutions, and the concerned government departments.

Ceiling on Joint Property

Urban property held by both the husband and the wife will be clubbed together for the purpose of calculating "vacant land" in excess of the ceiling limit under Section 6 of the Urban Land (Ceiling and Regulation) Act, 1976.

In guidelines sent to state governments, the union ministry of Works and Housing clarified that in case both the husband and the wife held urban property, the urban property held by them should be clubbed together for the purpose of filing a statement of vacant land in excess of the ceiling limit under Section 6 of the Act.

The ministry has clarified that lands on which unauthorised constructions existed would still be deemed to be vacant land under the Act.

The guidelines lay down that in areas where building regulations existed, only land occupied by buildings which had been approved by the appropriate authority, along with appurtenar land to such building, woul be excluded from the defin tion of "vacant land" unde the Act.

The ministry's guidelin on the clubbing of the husband and the wife's urba property says. "The definition of family is containe in Section 2(F) of the Ac and the definition of "person" is contained in Sectio 2(1). As the definition o "person" included "family" and as "family" means the individual, the wife or the husband of the individual as the case may be and their unmarried minor children, it is clarified that in case both the husband and the wife held property, the property held by them should be clubbed together for the purpose of filing a statement under Section 6 of the Act".

War Risk Cover for Ships

The government announced on May 18, 1976 a war risks insurance scheme for ships and mechanised sailing vessels. The scheme would come into effect from July 1, 1976. The scheme provides for insurance of marine hulls against war risks by th Indian insurance companies. The cover granted under th policies would be wider tha the war risks cover on hull granted by the insurers i the open market.

The policies would cove loss or damage to the insure ship arising from captur seizure, arrest, restraint c detainment and the consequences of hostilities an warlike operations. It woul also cover the loss of damag caused by civil war, revolution, rebellion, insurrection or civil strife and by mines, torpedoes, bombs, atomic weapons and other engines of war. The insurance would also cover loss caused by strikers, locked out workmen, political or labour disturbances, riot or civil commotion, military or usurped power and malicious damage.

The scheme made it clear the insurance coverage would be provided to a ship continuously kept registered in India and did not engage in any trade or voyage prohibited by the government and was not engaged in carrying contraband, blockade running and smuggling. In case of total loss of the ship, it would be open to the government to withhold 20 per cent of the claim. All premiums would be credited to the war risks (marine hulls) reinsurance fund and the fund would make all payments towards claims or expenses.

The insurance policy would be issued by the companies according to the conditions prescribed by the General Insurance Corporation of India.

Export Complex Near Palam

A Rs 100-crore export-oriented industrial complex is proposed to be set up by the end of this year over 200 hectares near Palam. The complex will be in the private sector and consist of a spinning mill and handloom, powerloom, hosiery, garment fabrication, and dyeing and printing units.

According to Mr Harbhajan Singh Anand, sponsor of the project, the spinning unit will have a 25,000-spindle capacity and will supply raw materials to the auxiliary industries. Preference will be given to young entrepreneurs and technocrats for setting up these units numbering about 1,000. If 75 to 20 per cent of capital is invested by them, the rest of the finance will be arranged through various financial agencies according to him. The export of the products will be undertaken by the authorities who will run the complex.

Central Data Bank

The computer centre of the Department of Statistics is setting up a central data bank which will integrate information from several sources and undertake processing to suit customers' needs.

It is planning to acquire a large size computer to meet growing requirements of computer time.

The centre has helped introduce computer applications in government organisations. A number of applications, ranging from bulk data processing and information storage and retrieval to financial accounting and management control system, have been computerised.

It is proposed to increase information processing activity in revenue-earning areas, provide a strong information base for planning and development and computerise the entire gamut of statistical information on socio-economic aspects collected by the National Sample Survey.

UP Reduces Sales Tax

The UP government has reduced the rates of sales tax on certain commodities to provide relief to the trade and industry.

Motor cars and television sets will be taxed at seven per cent instead of 12 per cent at present. Motor trucks and motor buses including their chassis and motor bodies built thereon will be taxed at the rate of nine per cent against 12 per cent, earlier.

Maps, educational charts, instrument boxes, globes, and other educational instruments will now be taxable at three per cent against the old rate of seven per cent.

Tooth pastes and powders, safety razor blades, tooth brushes, torches, torch-cells, torch bulbs, drycell battieres, filaments lighting bulbs, plain glass panes, clinical syringes, thermometers and scientific apparatus and instruments made of glass will now be taxable at the rate of seven per cent. Earlier these items carried a tax of 12 per cent.

RBI to Finance Food Procurement

Financial support needed for current year's food procurement operations, including the building up of a buffer stock of 15 million tonnes of foodgrains, will be of the order of Rs 2,000 crores. There is no provision in the current year's budget for this and the entire finance will have to be provided by the banking sector.

According to Reserve Bank sources, the commercial banks will be required to provide Rs 800 crores for food procurement from their own resources. The Reserve Bank will refinance two-thirds of the amount provided by the banks above the Rs 800 crores limit.

For providing credit to the industrial sector, the Reserve Bank is presently engaged in drawing up a macro-level credit plan which will be ready in another two months time. Meanwhile individual commercial banks have also been directed by the Reserve Bank to draw up micro-level credit plans to meet the needs of individual industries.

Bihar Plan to Develop Key Industries

The Bihar industries department has set up six high-level working groups to study and suggest future strategy for the development to key industries in the state.

The groups, with the Industrial Development Commissioner as chairman consist of officials of the industry department and men from the concerned industries, will submit their report within three months.

The groups, have been assigned to explore the possibilities and study the problems facing the concerned industries and recommend steps for reforms in the industrial units.

The working groups have been set up for: (a) sugar, (b) cement, (c) chemical and electro chemical industry, (d) metallurgical and electro-metallurgical, (e) paper and (f) mineral and mineral industries.

In the case of the sugar

industry, the working group will also look into the rehabilitation problem of the seven 'sick' factories.

The industries department, in collaboration with the National Productivity Council (NPC), will also carry out a six-month "demand survey"in order to identify the possibilities of new industrial units for 100 commodities which include pharmaceuticals, chemicals, engineering goods and auto ancilaries units.

IBRD Loan for Small Industry

Development of small and medium-scale industries in India will be assisted by a World Bank loan of $40 million. The Industrial Development Bank of India (IDBI) will channel the proceeds to 18 state financial corporations for re-lending to small and medium-scale industries.

India has placed considerable emphasis on the promotion of small scale industry since the mid-1950s as a means of increasing employment, income distribution and regional development. Until 1973, World Bank financing for industrial investment in India has emphasized medium and large scale units either through direct financing or through the Industrial Credit and Investment Corporation of India. However, in view of the importance of small-scale industry, a new project was developed in 1973. The Bank's affiliate, the International Development Association (IDA), extended a credit of $25 million to IDBI for re-lending to small-scale industry. The credit will be fully utilized by June 1976. The new loan will continue the objectives of the credit.

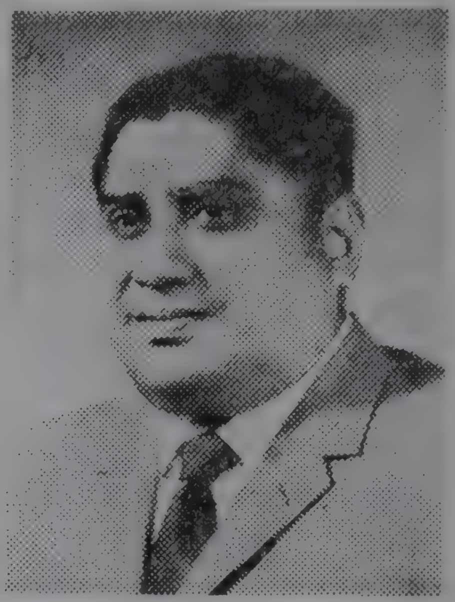
The bank loan of $40 million will finance the foreign exchange requirements of state financial corporations during the two-year period beginning July 1, 1976. The bank loan to IDBI is with the guarantee of the government of India. It will be repaid over 15 years starting after three years of grace. It will carry interest at the rate of 8½ per cent per annum.

In Brief

The Board of Governors of the Asian Development Bank at its ninth annnal meeting in Jakarta approved the request of the government of the Federal Republic of Germany for a special increase in its subscription to the capital stock of the Bank, US $ 89.11 million. With this increase in its subscription, the total subscription of the government of the Federal Republic of Germany to the capital stock of the Bank would amount to US $ 191.65 million.

Names in the News

S.P. Mandelia has been unanimously elected as the President of the all India Manufacturers' Organisation for 1976-77. An outstanding figure in the world of industry, Mr Mandelia is the President of the several divisions of Century Spg. and Mfg. Co. besides being the director and advisor of many wellknown industrial conserns,



Mr S.P. Mandelia

Mr O.K. Gopalan has been appointed as Chairman/Managing Director of Union Bank of India from May 12, 1976. Started the banking career in Punjab National bank as a clerk in 1945 and after serving 11 years, joined Union Bank of India as a Senior officer in June 1956, where he held many key positions such as Inspector of Branches, Manager-Delhi Office, P.A. and Executive Assistant to the General Manager/Chairman, Secretery, Assistant General Manager. At the time of his appointment he was the Dy. General Manager in charge of the Department of personnel administration-

Mr O.K. Gopalan

Balance of Payments

In 1972-73 India had a very small unfavourable trade gap at $ 124 million which rose to $ 1596 million in 1974-75 but declind marginally in 1975-76 to $1450 million (see Table below). The improvement in reserve by $ 808 million was the most encouraging development in the balance of payments position which was believed to reflect the increased remittances from abroad.

(U$ millions)

	1972/73	1973/74	1974/75	1975/76
Merchandise exports	2,558	3,239	4,143	4,400
Merchandise imports	—2,682	—3,971	–5,739	—5,850
Trade balance	— 124	— 732	—1,596	—1,450
Debt service	— 682	— 692	— 779	— 785
Gross aid disbursements	955	1,249	1,766	2,210
IMF transactions (net)	— —	75	530	205
Miscellaneous capital and invisibles (net)	— 115	205	41	628
Use of reserves (– = increase)	— 34	— 105	38	— 808

COMPANY AFFAIRS

Hindustan Lever

THE DIRECTORS of Hindustan Lever have reported excellent results for the year ended December 1975. The gross turnover has shown a bumper rise of 40 per cent from Rs 149 crores in 1974 to Rs 206 crores in 1975. Profits before provision rose handsomely from Rs 9.22 crores to Rs 15.07 crores and the net profits after provision and adjustments from Rs 3.63 crores to Rs 4.80 crores, which has been transferred to the general reserve.

In view of increase in turnover and profits the director have recommended an equity dividend of 18 per cent as against 15 per cent in the previous year. The dividend will be paid according to the relevant provisions of Companies (Temporary Restriction on Dividend) Act, with an immediate payment of 96 paise per share followed by two equal instalments of 42 paise per share. The immediate payment and the first instalment totalling Rs 1.38 per share will be payable in July 1976 and the balance in July 1977, making a total dividend of Rs 1.80.

Market Growth

The market for essential commodities, which constitute a significant portion of the companies products showed continued growth. Significant measures taken by the government, together with a fall in wholesale prices index were instrumental in increasing the gross turnover of the company.

During 1975, the company initiated work on three major expansion and diversification projects. The Ossein project in Maharashtra is in an advance stage and is expected to be commissioned in mid-1976. This will help in increasing companies export turnover. The companies exports rose from Rs. 13.77 crores to Rs 15 crores in 1975.

For this year the directors expect a more rapid growth in their gross turnover, sales and profits.

UCO Bank

United Commercial Bank recorded a steady growth in its operations during 1975. The bank's total deposits at the end of December, 1975 stood at Rs 623.17 crores as against Rs 542.07 crores at the end of 1974. Its total advances, including bills, increased to Rs 423.27 crores from Rs 370.54 crores. The total of investments at Rs 174.68 crores was higher by nearly Rs 25 crores than in 1974. The net profit for the year at Rs 2.05 crores represented an increase of Rs 14 lakhs over 1974. The bank has transferred a sum of Rs 55 lakhs to its reserve fund taking it to Rs 7 crores against the paid up capital of Rs 2.80 crores. A sum of Rs 1 crore has also been transferred to investment reserve account. (No amount was transferred to this account in 1974.) The balance amount of net profit, viz., Rs 50 lakhs has been transferred to the government of India.

New Branches

The bank opened during the year 91 new branches in India apart from three additional branches abroad — two in Hong Kong and one in the United Kingdom. Out of its total of 824 branches in India, over 65 per cent of the branches were in rural and semi-urban centres. Amongst the new branches opened during 1975, 53 were in the eastern and north eastern region. The bank also sponsored during the year a Regional Rural Bank in Rajasthan, for Jaipur/Nagaur districts where the bank has lead bank responsibilities.

The bank continued to play a determined role in advancing credit to the priority sectors. Its aggregate credit to these sectors at the end of 1975 was Rs 121.72 crores). Advances for agriculture, in particular, showed an impressive increase both in the number of borrowal accounts and the amount outstanding, with a substantial portion of the advances being for small and marginal farmers.

Gwalior Rayon

Gwalior Rayon which has indigenously developed the know-how and the process for the manufacture of Grasilene fibre has commenced work on the new venture in terms of letter of intent it holds for the manufacture of 100 tonnes of polynosic fibre per day.

After production Grasilene fibre, tried and tested at the companies complex at Nagda, Madhya Pradesh, has been found to have been well received by the textile industry, and is expected to eliminate the need for imports of polynosic fibres into the country.

The earth breaking ceremony of the new project costing Rs 45 crores was performed by its president recently at Harihar in Karnataka.

Tanfort Tyres

The Bangalore-based Tanfort Tyres reported a trading loss of Rs 2.22 lakhs for 1975 on sales of Rs 26 lakhs, as against Rs 7.44 lakhs and Rs 4 lakhs, respectively, in the previous year.

After providing Rs 2.31 lakhs for depreciation and nil (Rs 9.69 lakhs) for development rebate, the deficit amounted to Rs 4.55 lakhs compared with the previous year's Rs 19.44 lakhs.

The directors envisage a better performance for the current year. They say that sales during the first four months have already crossed Rs 16-lakh mark, the product-range has been diversified and new markets are being explored.

Dalmia Cement

The directors of Dalmia Cement (Bharat) propose to raise the dividend to 20 per cent for the year ended December 1975 from eight per cent paid in the preceding year.

According to a brief preliminary statement, the gross profits have advanced by about 30 per cent to Rs 4.17 crores from Rs 3.18 crores in the preceding year. The net profit is also higher at Rs 3.29 crores as against Rs 1.79 crores, after providing for depreciation—Rs 47.15 lakhs against Rs 33.14 lakhs, development rebate reserve—Rs 1.67 lakhs against Rs 3.97 lakhs, and taxation—Rs 139.50 lakhs against Rs 102 lakhs in the preceding year.

Amar Dye Chem

The directors of Amar Dye Chem Ltd in their annual report pointed out that the construction of the plant for vat dyes and their intermediates is expected to be finished by the end of this year and the production will commence from early next year.

The building for acrylic fibre dyes plant is almost ready and the equipment is being ordered, and is expected to go in to production in the next year. The company has also received a licence for the expansion of its reactive dyes capacity from 250 tonnes to 500 tonnes per annum, with a condition that 30 per cent of its capacity will be exported.

Indian Fine Blank

Indian Fine Blank Ltd, a company promoted for the manufacture of press tools, dies and fine blanked components with an installed capacity of 1500 tonnes per annum is being set up at Tartolla Road, Calcutta at an estimated cost of Rs 75 lakhs. The company proposes to enter the capital market with a public issue of Rs 11.27 lakhs in equity shares and Rs 5 lakhs in preference shares. The technical collaborators for the company are M/s Heinrich Schimdt of Switzerland, who will also participate in the equity of the company to the tune of 12.27 per cent.

Modella Woollens

Modella Woollens has shown better results for the year ended December 1975, and as such the directors have raised the equity dividend from a mere 2.8 per cent to 10 per cent.

The gross profits of the company almost doubled to Rs 62.66 lakhs from Rs 34.39 lakhs. The net profits of the company more than doubled to Rs 15.12 lakhs from Rs 6.19 lakhs. The net profit has been computed after providing for depreciation—Rs 17.62 lakhs against Rs 16.73 lakhs and taxation—Rs 29.92 lakhs against Rs 11.02 lakhs. After adjustment the surplus works out to Rs 15.15 lakhs compared with Rs 10.11 lakhs last year. The dividend absorbs a sum of Rs 7.80 lakhs.

Gaekwar Mills

The directors of the Gaekwar Mills Ltd have reported adverse working results for the year ended December 1975. Gross profits dropped sharply from Rs 69.25 lakhs to Rs 16.54 lakhs, and the directors have been forced to lower the equity dividend from 12 per cent per annum to just five per cent for the year ended December 1975. The dividend will absorb Rs 2.50 lakhs. The directors have attributed the fall in profits to high escalation in manufacturing costs, controlled cloth obligations and unremunerative sales realisation.

During the year new plant and machinery worth Rs 43.90 lakhs was installed, and another valued at Rs 34.39 lakhs is under erection. Outstanding orders for machinery amount to Rs 4.64 lakhs. These results were despite the fact that sales improved from Rs 9.40 crores to Rs 10.76 crores.

Gokak Patel Volkart

The mill division of Gokak Patel Volkart continued with its programme of modernisation. A. 1100 KVA diesel generating set to augment power supply was added, and a total sum of Rs 59 lakhs was spent on plant and machinery during the year 1975.

It is difficult to determine the adverse impact of the continuing difficult conditions affecting the spinning industry on the current year's results. But with redoubled efforts, the directors hope to present a better picture for this year.

In the Patvolk division, sale of useless properties and rationalisation of activities are being undertaken. Reorganisation of other subsidiary companies was also in progress.

The Reserve Bank has approved the sale of shares by lead group of companies of UK in reply to the company's application for investment in Goodlass Nerolac Paints Ltd in 25,200 equity shares of Rs 100 each fully paid-up. The approval is subject to the condition that five per cent of the lead group shares should be offered to Unit Trust of India and the balance to the Gokak Patel Volkart. The centre's approval regarding this is being awaited.

Usha Martin Black

The profit and loss account of the Usha Martin Black (Wire Ropes) Ltd show that the companies sales in 1975 have risen to Rs 16.50 crores from Rs 13.55 crores in the previous year. After meeting the charges including Rs 27.90 lakhs (Rs 27.31 lakhs) for depreciation the pre-tax profits amounted to Rs 108.84 lakhs against Rs 93.27 lakhs. Taxation absorbed Rs 58.48 lakhs (Rs 41.50 lakhs), and no appropriations has been made for depreciation, leaving Rs 50.36 lakhs against Rs 41.90 lakhs for surplus. Writing back Rs 3.25 lakhs (Rs 7.73 lakhs) from the development rebate reserve and bringing back Rs 23,452

Rs 7,331) from the various years balance, the total sum available for appropriations amounts to Rs 53.85 lakhs against Rs 49.93 lakhs. Of this sum Rs 6,000 has been transferred to capital reserve and Rs 31.20 lakhs (Rs 49.70 lakhs) to general reserve. The exports have been of the order of Rs 3.29 crores. The company also bagged the regional export award of the Engineering Export Promotion council.

The directors have proposed an equity dividend of 15 per cent on ordinary shares, 11.4 per cent of which will be paid now in accordance with provisions of Companies (Temporary Restriction on Divident) Act, and the balance of 3.6 per cent in two equal instalments of 1.8 per cent each in July 1976 and July 1977, together with an interest of eight per cent.

NOCIL

The dividends declared by National Organic Chemical Industries during the past four years from 1971 to 1974 are entirely exempt from tax.

NOCIL has announced a maiden dividend of five per cent for 1971, 10 per cent for 1972 and 12 per cent each for 1973 and 1974 amounting to Rs 60 lakhs, Rs 120 lakhs, Rs 144 lakhs and Rs 144 lakhs respectively. This is in the light of the Supreme Court judgment in the case of Coromandel Fertilisers, which has effectively revised the general understanding of the law in the interpretation of section 80 K of the Income-Tax Act relating to the benefit of tax-exempt dividends to shareholders.

News and Notes

Production of saleable steel at **TISCO** during the first quarter ended March 31, went up from 387,200 tonnes in 1975 to 401,900 tonnes in 1976, while sales declined from 357,100 tonnes to 356,000 tonnes. The value of gross sale procceds from sale of steel material including freight and excise rose from Rs 64.33 crores to Rs 65.44 crores for the same period.

The 10-year 6 per cent bonds issued by the **Agricultural Refinance and Development Corporation** were oversubscribed by Rs 2.5 crores against the notified amount of Rs 25 crores. The corporation is retaining the entire subscription.

The directors of **Bombay Dyeing** have proposed one for five bonus issue, subject the sanction of Controller of Capital Issues. This is the 12th bonus issue since the inception of the company. With the proposed issue the residual reserves of the company would be Rs 5.08 crores which would be 97 per cent of the enlarged capital.

In the face of competition from thread manufacturers all over the world, **Madura Coats** have won a large export order from Nigeria. The first consignment of around 26 tons of cotton embroidery thread will be airlifted to Kano, Nigeria very soon.

The present consignment worth Rs 13 lakhs is a part of the total export order of Rs 55 lakhs, to be executed by the end of the year 1976. The companies products are exported to over a dozen countries including the UK, the USA, West Germany, and East and West Africa.

New Issues

Nirlon Synthetic Fibres & Chemicals Ltd (NIRLON) entered the capital market for the public issue of 7,90,000 equity shares of Rs 10 each to be issued at a premium of Rs 22.50 per share. The subscription list for the issue opened on May 25, and will close at the close of banking hours on Friday June 4.

The company started its production in December

COME TO
VISHNUPUR

See the exquisite terracotta craftsmanship on the temples of Vishnupur built during and after the times of Bir Hāmbir the great Malla Raja. Also nearby are the villages of Kamarpukur and Jairambati being the birthplaces of Shree Ramakrishna and Shreema Saradamani.

Vishnupur is well-connected by rail and road. There is now a direct bus service between Calcutta and Vishnupur covering a distance of 146 kilometres. It is 43 and 48 kilometres by road from Jairambati and Kamarpukur respectively.

The Vishnupur Tourist Lodge provides excellent accommodation with all amenities. For bookings, please contact the Reservation Counter, West Bengal Tourism Development Corporation, 3/2, Benoy-Badal-Dinesh Bagh (East), Calcutta-700 001 or the Manager, Tourist Lodge.

For further information please contact :
TOURIST BUREAU
3/2, Benoy-Badal-Dinesh Bagh (East). Calcutta-700 001
Phone : 23-8271 Gram : TRAVELTIPS
Department of Tourism.
Government of West Bengal

TCP/TB 200A1R/76

1962 with the production of nylon filament yarn, polyester filament yarn, tyrecord yarn and tyre fabrics, and its products met with widespread approval in the market. As a result of the successful operations, especially nylon tyrecord, the company has been instrumental in saving the country a lot of foreign exchange. The company is also an exporter of artsilk and synthetic fabrics, the exports of which touched a figure of Rs 109 lakhs in 1975. It is now registered as a recognised export house.

The capital from the present issue will be utilised by the company for its new depolymerisation plant costing about Rs 192 lakhs. This plant will recover caprolactum from the yarn waste obtained during manufacture of nylon yarn. In addition, the company propose to instal 'draw twisters' as the balancing equipment.

Andhra Pradesh Steels Limited entered the capital market with a public issue of 7,35,000 equity shares of Rs 10 each and 33,000—11 per cent redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list opened on May 25 and will close at the close of banking hours on June 5.

The company is setting up a plant at Poloncha in Khamam district for the manufacture of 47,000 tonnes of MS & HC steel billets. The project will start from 100 per cent scrap at the beginning but will switch-over to raw material mix later, consisting of 50 per cent sponage iron and 50 per cent steel scrap. The cost of the project is estimated at Rs 535 lakhs and is being financed by a share capital of Rs 183 lakhs and term loans aggregating to Rs 352 lakhs including Rs 15 lakhs of central subsidy. The first phase is expected to be completed by September 1976 and the complete project by the end of 1976.

Keeping in view the potential of the project, and the marketability of the product, the company, barring unforeseen circumstances hopes to make sufficient profits.

Capital and Bonus Issues

Consent has been granted to six companies to raise capital of over Rs 14 million. The details were as under:

PMP Auto Industries Private Limited, has been accorded consent valid for there months, to capitalise Rs 540,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every seven equity shares held.

Modi Rubber Limited, Modinagar has been accorded consent, valid for 12 months, for the issue of preference shares of Rs 10 million to meet a part of the over-run in the cost of their automobile tyre and flaps project.

Mazda Industrial Chemicals Private Limited, Bombay has been accorded consent, valid for three months, to capitalise Rs 120,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

M.K. Spindle Manufacturers (Private) Limited, has been accorded consent, valid for three months, to capitalise Rs 100,200 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity sh held.

The Metal Powder Co pany Limited, Sivakasi been accorded consent, va for three months, to capi lise Rs 2.4 million out of general reserve and iss fully paid equity shares Rs 100 each as bonus shar in the ratio of two bon shares for every three equi shares held.

Aditya Mills Limite Kishangarh (Rajasthan) h been accorded consent, val for three months to capit lise Rs 1.5 million out of i general reserve and issu fully paid equity shares Rs 10 each as bonus shar in the ratio of one bon share for every five equi shares held.

Dividends

(per cent)

Name of the company	Year	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Graphite India	Dec. 1975	18	13
Hindustan Lever	Dec. 1975	18	15
Dalmia Cement	Dec. 1975	20	8
Modella Woollens	Dec. 1975	10	2.8
BECO Engineering	Dec. 1975	6	Nil
Same Dividend			
New Great Eastern Spinning	Dec. 1975	12	12
Boots India	Dec. 1975	12	12
Star Textile Engineering	Dec. 1975	10	10
Reduced Dividend			
Adarsh Chemical	Dec. 1975	Nil	10
Gaekwar Mills	Dec. 1975	5	1

Coromandel Fertilisers Chairman's Speech

Inflationary forces tamed thanks to government action

Economy needs a 'swell' of demand

Rural development must be integrated with planned population growth

Addressing the shareholders at the 14th Annual General Meeting of Coromandel Fertilisers Limited held on 21st May, 1976, the Chairman, Dr Bharat Ram said that the measures taken by Government leading to the new economic discipline have done much good to the economy, and inflation has been curbed. He called for a proper focus on 'profitable agriculture' in order to achieve sustained yields and free the country of food imports.

The new awareness of nation-building responsibility and the steps taken by Government to give substance and meaning to the population policy were auguries of promise he said and he exhorted wider participation and involvement by one and all in these tasks.

Dr. Bharat Ram
Chairman, Coromandel Fertilisers Ltd.

Ladies and Gentlemen:

I have great pleasure in welcoming you to the 14th Annual General Meeting of the Company. The Directors' Report and the audited statement of accounts for the year 1975 have already been circulated to all of you. I am sure all of you would be pleased to observe the increasingly better performance shown by your Company over the years. The working results of last year are all the more creditable since the conditions in the fertiliser industry were difficult and your Company, in addition, had problems which curtailed production significantly.

Your product continues to enjoy high reputation which is due not only to its intrinsic versatility, but in measure, to the marketing skills and promotional work which has secured for it wide acceptance. You will be pleased to know that Government have approved our proposal to manufacture Aluminium Fluoride, a product of considerable importance to the industrial economy of our country. We are also hopeful of getting an early approval for the manufacture of Argon Gas and Ammonia Recovery.

I regret to say that power supply continues to cause us anxiety. In 1975 we were subject to power cuts leading to considerable loss of production; and now again, in the first quarter of 1976 we have lost production due to power restrictions.

I am convinced that only a climate conducive to larger investment leading to greater production can help generate the momentum that the economy needs to grow fast and become self-propelling. Unless the fiscal and monetary policies are oriented to this end, it is difficult to see how sustained and large growth can be achieved. It is not surprising, therefore, that the tight money policy adopted to curb inflation has not achieved the end which is the increased supply of goods. In this connection, what I said last year bears repetition— that only an increase in the availability of goods can provide a long-term solution to inflation, rather than a containment of demand. Policies of demand management should give way to create new demand as a spur to increased production. The recession experienced in quite a few industries today is the unfortunate consequence of overlooking this aspect. And I cannot but feel disheartened on this score because this has come about despite the presence of many favourable factors last year on the industrial scene such as increased agricultural output, raw material availability etc.

I shall resist the temptation to dwell on the various aspects of the budget. The intentions are clear that Government have come to grips with economic realities. The agonising, and what threatened to be uncontrollable forces of inflation, have been tamed and this is a positive gain.

There are many merits in the economic programme of the Government. It would be churlish on my part to withhold a word of praise from the architects of policy during the last 18 months. In these troubled months, we have witnessed a new determined mood, poised for bold action with unpopular means, if necessary, to achieve growth with stability. The July 1974 prescription followed by events leading to the new economic discipline since June 1975 has done much good to the economy— I was about to say psyche — of the nation. For indeed, discipline moulds character; and economic discipline was never more necessary or urgent. There are no shortcuts to 'growth' — the road to recovery is long and arduous to traverse; but new hope has been aroused and new dynamics have been released; and it is more than likely that the nation, by which I mean all components which go to make our country, will provide the will and imagination to move forward.

The 1976 budget has given due recognition to the need for correcting or removing many of the deterrents presently impeding investment and has introduced many welcome measures like revision of the personal income-tax rates in the higher income brackets to a realistic level, investment allowance for industry in place of Development Rebate, Surtax concessions etc. The incidence of excise duty, however, has not been reduced significantly; if it had been done as one expected, it would have helped in the case of certain industries at least to overcome the acute demand recession presently endangering their very survival.

I suggest that what the economy needs urgently is a 'swell' of demand—effective demand; and that alone can lead to purposeful revival.
The fall in the prices of food however comfortable it may appear on the surface, can bring in its trail some problems. Our procurement policy, and price support must be geared at making farming profitable. Let us take note that any other policy, however tempting it may be on other counts, can only lead in the ultimate analysis to the consumer paying more in the form of higher prices consequent to curtailed production. This will hurt both the consumer and the economy which it is intended to serve. A buoyant agriculture will serve the nation as it releases more purchasing power in the hands of the vast rural poor leading to what I said earlier 'a swell of effective demand' and a right focus towards a profitable agriculture will make our country free from food imports and the psychological and economic costs such dependence for our food entails.

Given the socio-economic imperatives with which a developing economy has to contend, the 'growth pains' are to some extent inevitable; on balance, therefore, I feel—with the new awareness in the quarters that matter of the need for investment-induced growth — the outlook for the economy to shake off the effects of temporary stagnation in certain spheres and to surge forward appears promising. I must mention here that the recent liberalisation of procedures and rules of Government in many areas cannot but help speed the tempo of industrial activity and the helpful attitude being shown by the concerned Government agencies is, in this context, indeed encouraging.

Having shared my thoughts with you on what I believe are some of the immediate requisites for revival of the latent vigour of the economy, I may perhaps touch on what I feel is the industry's responsibility in the context of the social and economic renaissance that our national leadership is presently engaged in accomplishing. Excellent industrial performance cannot count for much if it is not enlightened enough to bring with it an increased commitment to social welfare and securing greater benefits to society. Enough has been said on the subject before; nevertheless, I wish to stress that a service-oriented attitude must assume greater significance in industrial actions so as to balance the profit motive. A voluntary code of conduct and measure of self-discipline that will temper private gain in the interest of public good must at all times be adhered to by industry if its constituents can claim to be true corporate citizens

I now turn to the prospects of the fertiliser industry in which your company is engaged. I must express my great pleasure at the uniformly good production performance of all the units both in the public and private sectors that has made it possible for the Government's production target of 1.5 million tonnes of nitrogenous fertiliser to be achieved during the year 1975-76. It is in this context, that the disturbing trend of a drop in consumption which was perceptible last year has somewhat unnerved even the established units and ironically this has happened when the production record has been an all-time high. However, the recent decision to subsidise the prices of fertilisers to the farmer, one hopes, will help stimulate the off-take of fertilisers sufficiently. Ultimately, it is only by enabling the fertiliser manufacturers to keep their raw material and other input costs under control, can it be ensured that the fertiliser prices do not prove uneconomic to the farmer.

Two events of the year are auguries of promise; the awareness of responsibility of nation building. I refer to the focal theme of the Indian Science Congress where its President gave a broad sweep of what he calls "our agricultural assets and liabilities" and suggested we persuade ourselves to meet with our agricultural destiny by involvement in integrated rural development and to canalise the vast "natural dynamism" of the rural poor turning them into engines for progress. For indeed, as Dr. M S. Swaminathan says, and if I may use it in the context of our demographic dilemma— "our most important task is to draw the greatest benefit from our existing human resource and to limit its further unplanned growth". This is pregnant with meaning and portent. The second notable event— and here I feel— speaking for myself and I hope you share my view — that for the first time in 25 years, our population policy has acquired substance and significance. It is one thing to spell out the need and outlines of policy, however admirable, timely and necessary, and quite another thing to give it coherence, depth and meaning, acceptance with the concomitant involvement— this is the only way leading to implementation. The policy is a document, a charter. And here I plead for wider participation by one and all — at every level and in every segment of our national life to help the containment of unplanned population growth.

Earlier this year, we were most fortunate in having one of the most distinguished thinkers to deliver the Sixth Coromandel Lecture. Dr. W. David Hopper, economist, socio-anthropologist and presently the President of the International Development Research Centre, Ottawa delivered a brilliant and stimulating lecture on 'A Perspective on India's Food Production.' This is not the place to comment on this thoughtful lecture which has roused great interest among the various publics who are concerned about India's food problem. I commend this to all serious students of the agricultural situation of India. As is customary with your Company, the Borlaug Award was presented this year to Dr. A B. Joshi, Director of I. A. R. I. for his outstanding contributions to Indian agriculture and agricultural education.

There have been no changes in the Board and it is in the fitness of things that I should thank all our employees at the Plant, at Delhi and at Secunderabad for their devoted and loyal co-operation through the year

Our promoter companies in the U. S. have continued to be responsive and have given of their co-operation and encouragement very freely. We are grateful to them.

Thank you.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

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RECORDS AND STATISTICS

Indo-Pak joint statement

PURSUANT TO the letter written by prime minister Zulfikar Ali Bhutto on March 27, and the reply of prime minister Mrs Indira Gandhi of April 11, the delegations of India and Pakistan met in Islamabad from May 12 to 14, 1976, with the objective of resuming normalization of relations between the two countries as envisaged in the Simla Agreement. The discussions were held in a frank and friendly atmosphere.

His Excellency Mr J.S. Mehta, Foreign Secretary led the Indian delegation. He was assisted by representatives of the ministries of External Affairs, Tourism and Civil Aviation, Finance, Home Affairs, Railways, Shipping and Transport and Commerce. The Pakistani delegation was led by Mr Agha Shahi, Foreign Secretary. He was assisted by the representatives of the Ministries of Foreign Affairs, Railways. Finance, Communications, Commerce, Interior, Information and Broadcasting, Law, Aviation Division, the departments of Civil Aviation, Ports and Shipping and Pakistan International Airlines Corporation.

In regard to matters relating to civil aviation, the two delegations discussed the modality of withdrawing the cases and counter-claim pending before the Council of the International Civil Aviation Organisation and agreed to send a joint letter to the Council for the purpose. They further agreed to the resumption of overflights and the restoration of air-links between the two countries. It was decided that expert delegations from the two countries will meet to work out the necessary details.

Two-way Traffic

The two delegations agreed to resume goods and passenger traffic by rail through the Wagah Attari border. In this connection the Pakistan delegation stated that the rail track on its side was already functional. The Indian delegation undertook to carry out the necessary repairs on its side as soon as possible.

The two sides recognised the advantage that would accrue to trade between the two countries with the resumption of freighting of goods by rail.

It was decided that the experts of the two countries should meet urgently to work out a detailed agreement regarding interchange, freight rating, compensation claims, custom formalities, the creation of a wagon pool etc for the goods and passenger traffic between the two countries.

Multiple Entry Visa

The two sides agreed to grant multiple journey visas valid for one year to the members of the railway staff operating on scheduled on scheduled services along the specified route.

The two delegations agreed that goods meant for the other county could also be transported by road upto the Wagah Attari border. For this purpose, they undertook to make necessary arrangements for the transhipment, warehousing, bonding and customs clearance etc.

The two delegations discussed the question of early re-establishment of diplomatic relations between their countries. They agreed that each country should be represented by an Ambassador with supporting staff in the capital of the other country. In view of the problems which had been faced in the past in the functioning of their respective diplomatic missions, the two delegations reaffirmed their adherence to the Vienna Convention on Diplomatic Relations
1961 to which they we
party and agreed on a bas
of reciprocity, to grant eac
other's missions all faciliti
and countesies for the
normal functioning.

Private Sector

The two delegation
reviewed the working of th
Indo-Pakistan Trade Agre
ment of January 23, 197
and the Shipping Protoc
of January 15, 1975. The
agreed that in terms o
Article 3 of the Trad
Agreement, in additio
to state trading organisa
tions, the private sector b
also enabled, with effec
from July 15, 1976, t
participate in the trad
between the two countrie
subject to the laws, rules
regulations and procedure
in force in their respective
countries from time to time.

The two delegations als
agreed that the Joint Com-
mittee envisaged unde
Article 9 of Trade Agree-
ment should be constitute
immediately to review th
working of that Agreemen
and that the first meeting o
the Joint Committee shoul
be held at the Commerc
Secretaries' level as soon a
possible and, in any case
before the end of 1976.

The two sides decided tha
a further meeting of th
respective shipping expert
should be held, as early a
possible, to review the Pr
tocol on Shipping as pr
vided in Article 22 of th
Protocol.

The two delegation
reviewed the existing vis
agreement for regulatin
travel between the tw
countries. They noted th

the arrangements envisaged in that agreement were working satisfactorily and required no change.

The two delegations discussed measures for promoting cultural and scientific exchanges as envisaged in the Simla Agreement. They agreed that futher discussions on these measures could be undertaken in due course.

The two sides held discussions on the question of the detainees and agreed that this humanitarian issue needed to be resolved expeditiously. They also agreed to make efforts to locate persons still untraced and repatriate them with all possible dispatch in accordance with the existing working arrangements.

The leader of the Indian delegation, His Excellency Mr J.S. Mehta, was received by the President of the Islamic Republic of Pakistan.

Annual report on coal

THE COAL production in our country has gone up by 22 million tonnes in the last two years having risen from about 78 million tonnes to nearly 100 million tonnes. According to the Annual Report of the ministry of Energy, out of the 100 million tonnes of coal produced in 1975-76 nearly 89 million tonnes of coal was contributed by Coal India and the balance by Singareni Collieries and captive-mines of Tata Iron & Steel Co. and Indian Iron & Steel Company. As a result of the increase in production and also improvement in transportation, the supply of coal to the consumers has shown remarkable improvement. In fact some of the consumers have asked for suspension of supplies as there was no room for stocking further quantity of coal.

The stock of coking coal at the steel plants had improved enormously from three days' consumption in December 1974 to over 18 days' consumption on February 29, 1976. On the same date, the stocks held by power houses were equal to 39 days' consumption and by cement plants 23 days' consumption.

The production and productivity in the coal industry has shown substantial increase after the emergency which had given a new direction and involvement of those engaged in the coal industry. In pursuance of the 20-point programme. a 12-point action programme was drawn up to increase production and improve productivity and efficiency in the coal industry.

The target for coal production in the current financial year (1976-77) is 108 million tonnes and this will be further raised to 135 million tonnes by 1978-79. A total of 10 projects had been sanctioned up to January '76. In addition, a large number of small schemes were also taken up for execution.

TABLE I

Production of Coal by Major Coalfields

(In million tonnes)

Year	W. Bengal	Bihar	Outlying	Total
1970-71	18.61	33.82	20.52	72.95
1971-72	17.31	32.61	22.50	74.42
1972-73	19.37	33.77	24.08	77.22
1973-74 (P)	19.38	33.48	25.31	78.17
1974-75 (P)	21.12	36.93	30.36	88.41
1975-76 (E)	23.67	41.25	34.96	99.88

E=Entimated P=Provisional

Source: Office of the Coal Controller.

TABLE II

Consumer-wise Despatch of Coal by CIL/BCCL/During 1975-76 As Compared to 1974-75 (April to January)

(Provisional)
(In lakh tonnes)

Name of consumer	Year	Despatches	Difference
Power House	1975-76	231.57	(+)27.10
	1974-75	186.47	
Loco	1975-76	121.26	(+)5.44
	1974-75	115.82	
Steel Plants	1975-76	108.29	(+)18.22
	1974-75	90.07	
Cement Plants	1975-76	37.08	(+) 1.47
	1974-75	35.61	
Others (including internal consumption).	1975-76	244.76	(+)21.00
	1974-75	223.76	
Total :	1975-76	724.96	(+)73.23
	1974-75	651.73	

These projects along with other projects sanctioned since April 1974 will ultimately contribute to an increased production of 27 million tonnes at an estimated investment of Rs 1550 million. The contribution of these projects in 1978-79 would be about 11 million tonnes. In addition to coal mining projects, two washing projects were also sanctioned for beneficiating coking coal to meet the requirements of steel plants.

A low temperature carbonisation plant at an estimated cost of 203 million rupees was sanctioned during the year and is to be located at Dankuni near Calcutta. The plant will produce about 0.37 million cubic metres of coal gas, about 1,000 tonnes of soft coke and 110 tonnes of tar per day.

Coal Dumps

Coal India Ltd has started six coal dumps in UP at Lucknow, Varanasi, Gorakhpur, Agra, Meerut and Kanpur to meet the requirements of small scale industries and the brick kilns. Two more dumps have been set up at Saharanpur and Bareilly to cater to the needs of the soft coke consumers in hilly areas. The feasibility of the Department of Coal taking over the responsibility for distribution is under examination.

In view of the easy availability of rail wagons, some non-sponsored movement of coal and coke had also been undertaken by the Railways after meeting the sponsored demands. During 1975-76, by and large, all the demands of coal were met in full and the consumers had adequate stocks with them.

696,000 tonnes of coal was expected to be exported to Bangladesh, Burma and Sri Lanka during 1975-76.

Progress had also been made in substitution of petroleum products by coal during the year under review. Two units of Trombay power station and one unit

TABLE III

Details of Fatal Accidents in Public Sector Coal Companies

Name of the company	No. of persons killed in fatal accidents		
	1973	1974	1975
Bharat Coking Coal Ltd.	50	53	74
Eastern Coalfields Ltd.	41	56	56
Central Coalfields Ltd.	28	23	31
Western Coalfields Ltd.	43	59	73
Assam Coalfields Area	2	2	1
Singareni Collieries Co. Ltd.	19	19	35*
Total	183	211	270

*Provisional

TABLE IV

Detalis of Serious Accidents in Public Sector Coal Companies

Name of the company	No. of persons injured in serious accidents		
	1973	1974	1975
Bharat Coking Coal Ltd.	373	377	249
Eastern Coalfields Ltd.	262	172	289
Central Coalfields Ltd.	137	143	123
Western Coalfields Ltd.	569	642	539
Singareni Collieries Co. Ltd.	343	417	566
Assam Coalfields Area	14	14	23
Total	1698	1744	1871

f Ahmedabad 'C' station nd Barauni power station ad changed over from oil ring to coal firing. It is stimated that with increased upply of coal to power stations, 0.5 million tonnes of urnace oil had been saved during the last year.

Substitution of oil by coal had also made progress in the cement industry. The coalallocation for this industry was raised from 455,000 tonnes to 510,000 tonnes per month. It is estimated that 2.3 million tonnes of additional coal had been made available to major sectors where substitution had taken place and this had resulted in saving one million tonnes of furnace oil.

Housing Programme

After the nationalisation of coal mines 11,705 houses had been constructed for miners and of these 6000 houses were constructed in 1975. Another 18,236 houses are now under construction and are expected to be completed during 1976. The total cost of these houses would be over Rs 300 million. The nationalised coal companies have been spending over 40 million rupees annually for providing medical facilities to the coal workers. Cooperatives stores and fair price shops had also been opened for supplying foodgrains and essential commodities to the workers and cooperative credit societies were being started and reactivised to relieve the workers from the clutches of the money-lenders.

TABLE V

List of Major Coal Mining Projects Sanctioned During 1974-75 and 1975-76 (Upto January 1976)

Name of the Project		Capital Outlay (Rs. in crores)	Capacity (in million tonnes)	Production in 1978-79 (in million tonnes)
(1)		(2)	(3)	(4)
1974-75	Kusmunda-1	17.13	1.50	—
	Bhatagon	10.41	1.00	0.13
	Shobhapur	10.60	0.95	0.30
	Central Saudna	3.32	0.70	0.70
	Nandan	7.54	0.60	0.20
	Mahabir	1.83	0.90	0.90
	Tipong	0.04	0.47	0.47 (in 1979-80)
	Borgolai	2.86	0.44	0.40
	Giridih	0.47	0.36	0.36
	Kenda	2.18	0.34	0.34
	Bonjamohari	2.49	0.45	0.38
	Giridih (Opencast)	2.29	0.30	0.30
	Kumardihi	0.82	1.00	0.61
	West Jharakhand	2.87	0.54	0.30
	West Barakar	2.38	0.40	0.40
	Bhadra	2.17	0.36	0.18
	Dalurband	1.06	0.58	0.50
	Hutar	0.40	0.14	0.12
	Ara	0.90	0.90	0.50
	Ib-River	0.85	0.14	0.12
	Total	76.61	12.07	7.21
1975-76	Chinakuri	8.43	1.00	0.76
	Kedla	9.75	1.00	0.50
	Rajgamar	9.58	0.72	0.10
	New Chachai (Amlai)	4.05	0.50	0.42
	Nakrakonda	3.78	0.75	0.20
	Begunia	4.86	0.36	0.14
	Junkundar	3.69	0.36	0.36
	Bhurungia	3.65	0.30	0.17
	Sudamdih	1.98	0.27	0.27
	West Chirimiri	3.63	0.60	0.51
	Total	53.40	5.86	3.43

TABLE VI

Production, Despatch and Stocks of Coal from 1970-71 Upto 1975-76

(In million tonnes

Year	Production			Despatch			Closing stock		
	Coking	Non-coking	Total	Coking	Non-coking	Total	Coking	Non-coking	Total
1970-71	17.82	55.13	72.95	15.18	47.07	62.25	2.17	7.38	9.55
1971-72	16.75	55.67	72.42	15.31	50.21	65.52	1.64	6.18	7.62
1972-73	16.62	60.60	77.22	14.63	55.53	70.16	1.43	4.79	6.22
1973-74 (P)	15.77	62.40	78.17	14.28	54.31	68.59	0.85	5.80	6.65
1974-75 (P)	20.96	67.45	88.41	18.30	60.66	78.96	1.72	5.76	7.48
1975-76 (E)	22.11	77.77	99.88	18.68	75.42	94.10	2.30	9.67	11.97

P=Provisional E=Estimated

Source : Office of the Coal Controller and Coal India Limited

TABLE VII

Performance of Washeries under Department of Coal

(In million tonnes

Name of organisation/washery	Target of production of during 1975-76	Producton during		
		1973–74	1974–75 (Provisional)	1975–76 (April, 1975 t Jan. 1976)
1. Kargali	1.60	1.37	1.45	1.40
2. Kathara	1.00	0.65	0.80	0.80
3. Sawang	0.35	0.22	0.29	0.38
4. Gidi	0.30	—	0.12	0.28
5. Digwadi I & II	4.23	1.34	1.55	1.52
6. Bhojudih		1.27	1.63	1.59
7. Patherdih		0.75	0.83	0.82
8. Lodna	—	0.20	0.22	0.19
9. Nowrozabad	N.A.	N.A.	N.A.	N.A.

Swaran Singh panel report

HE FOLLOWING is the text f the report of the Swaran ingh Committee set up by he Congress president, to uggest amendments to the onstitution.

The tentative proposals ormulated by the Committee for Amendment of the Constitution were circulated to all the Congress Chief Ministers and pradesh Congress committee presidents for ascertaining their views.

The committee held discussions on the proposals with members of the Congress Party in Parliament on May 10, 11, 12 and 14, 1976.

Diverse Views

The committee invited the Bar Associations of the Supreme Court and all the high courts to send their representatives for eliciting their views on the proposals. The Supreme Court Bar, the All-India Bar, the Bar Councii of India, and the bars and bar councils of several high courts responded to the invitation. Their representatives met the committee from May 17 to May 20, 1976, and there was a free and frank exchange of views on the different aspects and implications of the Committee's proposals. A few individuals, including Mr P. K. Tripathi, Member, Law Commission and Mr Ramrao Adik, Advocate-General of Maharashtra, and representatives of organisations interested in the legal and constitutional studies also met the committee.

The tentative proposals received wide notice in the press and in public forums and several newspapers editorially commented on them and some carried special articles. A large number of written memoranda and opinions have been received from individuals, professional bodies etc.

Rewarding Exchange

The committee has given earnest attention and carefull thought to the several views expressed. The discussions with members of Parliament and the representatives of the bar have been particularly rewarding. They have greatly assisted the committee in clarifying its own throughts and views and have influenced it to some extent in modifying some of its earlier tentative proposals. The committee's recommendations set out below are made in this background.

In making these recommendations, the committee has kept before it certain important objectives. Our Constitution had functioned without any serious impediment during the past 26 years and more. While this is so, difficulties have been thrown up from to time time in the interpretation of some of its provisions, more particularly where they concern the Right of Parliament to be the most authentic and effective instrument to give expression and content to the sovereign will of the people.

Three Pillars

It is the scheme of the Constitution that the three main pillars of our parliamentary democracy, namely, the Legislature, the Executive and the Judiciary have to function harmoniously if we are to achieve our desired objectives of securing to all citizens justice, social, economic and political. Ours is a dynamic, moving and changing society, and the need to quicken the pace of socio-economic progress of our people has never been more urgent. Some of the amendments to the Constitution that we have proposed have been conceived in this spirit.

The committee would like to emphasize that the respect of the people for the three organs of our democracy and their confidence in these organs have to be sustained and strengthened. An attempt has been made to clarify and define, where possible, with greater precision their respective functions in the light of the experience gained, so that our democratic institutions may work smoothly in an atmosphere of complete understanding.

I. System of Government: The parliamentary system is the best suited to our country, and it is unnecessary to abandon it in favour of the presidential or any other system. In a vast country like India, with the kind of regional diversity as we have, the parliamentary system preserves best the unity and integrity of the country and ensures greater responsiveness to the voice of the people.

II. The Preamble: The committee is of the opinion that the concepts of Secularism and Socialism should be clearly spelt out in the Constitution. It is accordingly recommended that the preamble should be amended by substituting the expression "Sovereign, Democratic, Secular, Sociailst Republic" for Sovereign Democratic Republic". It is also proposed that the words "and integrity" should be inserted after the word "unity".

Supreme Law

III. Amendment of the Constitution: The constitutent power of Parliament to amend the Constitution as provided in Article 368 should not be open to question or challenge. The Constitution is the supreme law of the country and any amendment thereof is as much a fundamental law as is the rest of the Constitution, Though the language of Article 368, as it stands at present, is clear and categoric, it is considered necessary that the matter should be placed beyond doubt. It is accordingly proposed that a new clause may be inserted in Article

368 to the effect that any amendment of the Constitution, passed in accordance with the requirements specified in that article, shall not be called in question in any court on any ground.

IV. Power of Judicial Review:

(1) Constitutional Validity of Laws: Article 13 of the Constitution expressly prohibits the making of any law which may be inconsistent with or in derogation of any of the fundamental rights, Articles 32 and 226 confer power on the Supreme court and the high courts respectively for the enforcement of fundamental rights. The legislative power of the union Parliament and the state legislatures is contained primarily in Articles 245 and 246.

Validity of Law

The constitutional validity of a law may be challenged on the ground that the subject-matter of the legislation is not within the competence of, the lagislature which has passed the law or that the law or some provision there of is repugnant to a provision of the Constitution. The validity of a law can also be challenged on the ground that it infringes one of the fundamental rights contained in the Constitution.

At present, the constitutional validity of a law, whether central or state, may be challenged in any high court or in the Supreme Court. The committee is of the opinion that the Constitution should be suitably amended so as to provide that the constitutional validity of a central law and any rule, regulation or bye-law made thereunder may be challenged only in the Supreme Court. The constitutional validity of any state law and any rule, regulation or bye-law made under that law may be challenged in the high court having jurisdiction in the matter, with a right of appeal to the Supreme Court.

Two-third Majority

Where in a case the constitutional validity both of a central law and a state law is challenged, the questions of law involved may be decided only by the Supreme Court. The number of judges of the Supreme Court who are to sit for the purpose of deciding any case involving a question of constitutional validity of a law shall be not less than seven, and the decision of the court declaring a law invalid must have the support of not less than two-thirds of the number of judges constituting the bench. The number of judges of a high court for the same purpose shall be not less than five, and the decision of the court declaring a law invalid must be supported by not less than two-thirds of the number of judges constituting the bench. In a high court where the total number of judges is less than five, the full court shall sit, and the decision as to invalidity of a law should have the support of the whole court.

The committee would like to observe that normally it should be presumed that Parliament or a state legislature will take due care to ensure that any law passed by it will be strictly in conformity with the provisions of the Constitution. It is for the executive as well as for Parliament and state legislatures to devise suitable agency in this regard.

(2) **Article 226 :** The words "for any other purpose" in article 226 have given very wide powers to the high courts in the matter of writ jurisdiction. While the jurisdiction conferred on the Supreme Court is restricted to the enforcement of fundamental rights, the high courts have been given power to issue directions, orders or writs not only for the enforcement of fundamental rights but also for any other purpose. The words "for any other purpose" have given the high courts an extraordinary jurisdiction which the Supreme Court does not enjoy.

Precise Limits

Experience has shown that it has not been possible to define, or to ascertain, with any degree of certainty, the precise limits of this extraordinary jurisdiction. It was, however, represented to the committee very forcefully that the existence of these words in Article 226 had proved to be the real constitutional safeguard for a citizen against what was broadly described as "bureaucratic excesses". It is of interest to point out in this connection that in
1954 a special sub-commit
appointed by the Congr
working committee p
sided over by Mr Jawahar
Nehru, made the followi
recommendation, which t
working committee accep
ed at its meeting held
May 22, 1954:

Right to issue direction
orders, or writs should
restricted to cases in whi
there has been substanti
failure of justice or whe
public interest so require
Delete "for any other pu
pose" from the last senten
of Article 226(1).

No Change

One of the suggestions pu
forward to the committe
was that if this powe
enjoyed by the high cour
at present in regard t
citizens' complaints agains
administrative abuses o
excesses is to be taken away
a tribunal somewhat o
the French model may b
constituted to deal with suc
complaints and provid
appropriate remedies. Th
committee feels that whi
this suggestion has certai
undoubted merits, it may no
be possible to adopt it
this stage as we have not y
developed a system
administrative law.

The committee has cons
dered the matter at gre
length. Keeping in vie
the recommendations of t
special sub-committee hea
ed by Mr Jawaharlal Neh
and having regard to t
several points of view e
pressed, the committ
would recommend t
amendment of Article 226
the following manner:

(i) The words "and f

any other purpose" may be deleted.

(ii) The existing power of the high courts to issue writs for the enforcement of fundamental rights will continue. A new clause may be inserted in Article 226 to the effect that the power conferred by Clause (1) of that article to issue directions, orders or writs to any government, authority or person may also be exercised by any high court in cases in which there has been a contravention of any provision of the Constitution other than any fundamental right enumerated in part III, or the contravention of any provision of a statutory law, where such contravention has resulted in substantial failure of justice. The exercise of this power should however, be subject to the proviso that where an alternative remedy is available under the Constitution or any provision of a statutory law, no such direction, order or writ shall be issued.

No Interim Stay

(iii) Another new clause may be added to provide that a court empowered to issue a writ under this article shall not issue any interim stay or injunction or any other such interim order unless prior notice of the proposal to move the court in that behalf is served on the respondent and copies of all documents in support of the plea for stay or injunction or any other such interim order are filed in the court and served on the opposite party and opportunity given to the respondent to be heard.

(3) **Service Matters**: Administrative Tribunals may be set up both at the state level and at the centre to decide cases relating to service matters. These tribunals shall be constituted under a central law.

Labour Tribunal

(4) **Industrial and Labour Disputes**: Provision may be made for setting up an All-India Labour Appellate Tribunal to decide appeals from labour courts and industrial courts.

(5) **Matters Relating to Revenue, Land Reforms, Procurement and Distribution of Foodgrains and other Essential Commodities**: Disputes relating to the following matters shall be decided by tribunals.

(i) Any matter concerning the revenue or concerning any act ordered or done in the collection thereof.

(ii) Any matter relating to land reforms, ceiling on urban property, and procurement and distribution of foodgrains and other essential commodities.

In regard to the matters specified in (3) (4) and (5) above the writ jurisdiction of the Supreme Court under Article 32 and of the high courts under Article 226 shall be excluded.

The relevant statutes governing these matters will also make specific provision excluding the jurisdiction of courts over such matters. The right to apply for special leave under Article 186 of the Constitution from the decision of any tribunal shall however remain.

In the matter of constituting tribunals referred to above, it should be ensured that they inspire confidence among all concerned and that the members are persons of high standing possessing special knowledge and experience in the respective fields. The tribunals should not be single-member tribunals. The objective should be that the matters going before these tribunals are decided fairly and expeditiously.

(6) **Election Matters** : No writ shall lie in relation to election matters.

(7) **Article 227**: Reference to tribunals in Article 227 should be omitted.

Scope Enlarged

V. Directive Principles: Article 31G provides that no law giving effect to the directive principles specified in Clause (b) or Clause (c) of Article 39 shall be deemed to be void on the ground that it contravenes Articles 14, 19 or 31. It is proposed that the scope of the present Article 31C should be widened so as to cover legislation for implementation of all or any of the directive principles enumerated in Part IV of the Constitution, and that such legislation should not be called in question on the ground of infringement of any of the fundamental rights contained in Para III. Provision should however, be made that no such law shall affect the special safeguards or rights conferred on the minorities, or the scheduled castes, the scheduled tribes or other backward classes under the Constitution.

VI Disqualification for Membership: (1) Under Article 71 and 329A of the Constitution, disputed elections in relation to the offices of President, Vice-President, Prime Minister and Speaker, are to be decided by an authority or body to be created by a law of Parliament. It is felt that the Constitution should provide for another body or authority to determine all questions of disqualification (including the period of such disqualification) of members, both of Parliament and of state legislatures. This body or authority may consist of 9 members, 3 each from the Rajya Sabha and Lok Sabha and 3 to be nominated by the president. At present, this power is exercised by the president/governor after consulting the Election Commtsion and in accordance with the Commission's advice.

Legal Disability

(2) Article 102(1) (2) and Article 191(1) (a) in the case of members of state legislatures may be amended so as to provide that a person shall be disqualified for being chosen as, and for being, a member of either House of Parliament (or either house of a state legislature) if he holds any office or profit under government declared by Parliament (or by the state legislature in respect of its members) by law to disqualify its holder for such membership. The existing position

has led to a great deal of uncertainty.

VII. Emergency: Article 352: This Article may be amended so as to clarify that the president may, if he is satisfied, make a declaration of emergency restricted in scope to such part of the territory of India as may be specified in the proclamation. Provision may also be made to enable the president to lift the emergency from any part of the territory of India where emergency has been proclaimed.

VIII. Centre-State Co-ordination: (1) Agriculture and Education are subjects of prime importance to the country's rapid progress towards achieving desired socio-economic changes. The need to evolve all-India policies in relation to these two subjects cannot be over-emphasized. It is, therefore, suggested that Education and Agriculture should be placed in the concurrent list. It may be clarified that the administration of these subjects will remain with the state governments.

(2) The centre's help is often sought when there is a grave situation of law and order in a state. If the Centre is to be able to render help effectively to the States in such situations, it should have the power to deploy police or other similar forces under its own superintendence and control in any state. Suitable provision may be made in the Constitution for this purpose. Generally, however, the centre should consult the states. if possible, before exercising this power.

IX. General: (1) Some of the proposals made by the committee involve consequential amendments to other provisions of the Constitution. Similarly, proposals regarding the vesting of exclusive jurisdiction in regard to certain matters in tribunals will involve amendment of the relevant statutes. Suitable provision will also have to be made regarding pending suits in courts.

(2) The committee feels that certain other provisions of the Constitution may need amendment to meet some administrative or procedural requirements. There are also provisions in the Constitution which have become obsolete or redundant and may therefore be deleted. Separate proposals will be made in this behalf.

(3) In the course of the committee's deliberations the subject of judicial delays was brought up very prominently. The committee would like that government and the judiciary should give serious and urgent attention to this and devise effective measures to remedy the situation. Protracted judicial processes may often result in denial of justice, apart from the heavy cost to the affected parties.

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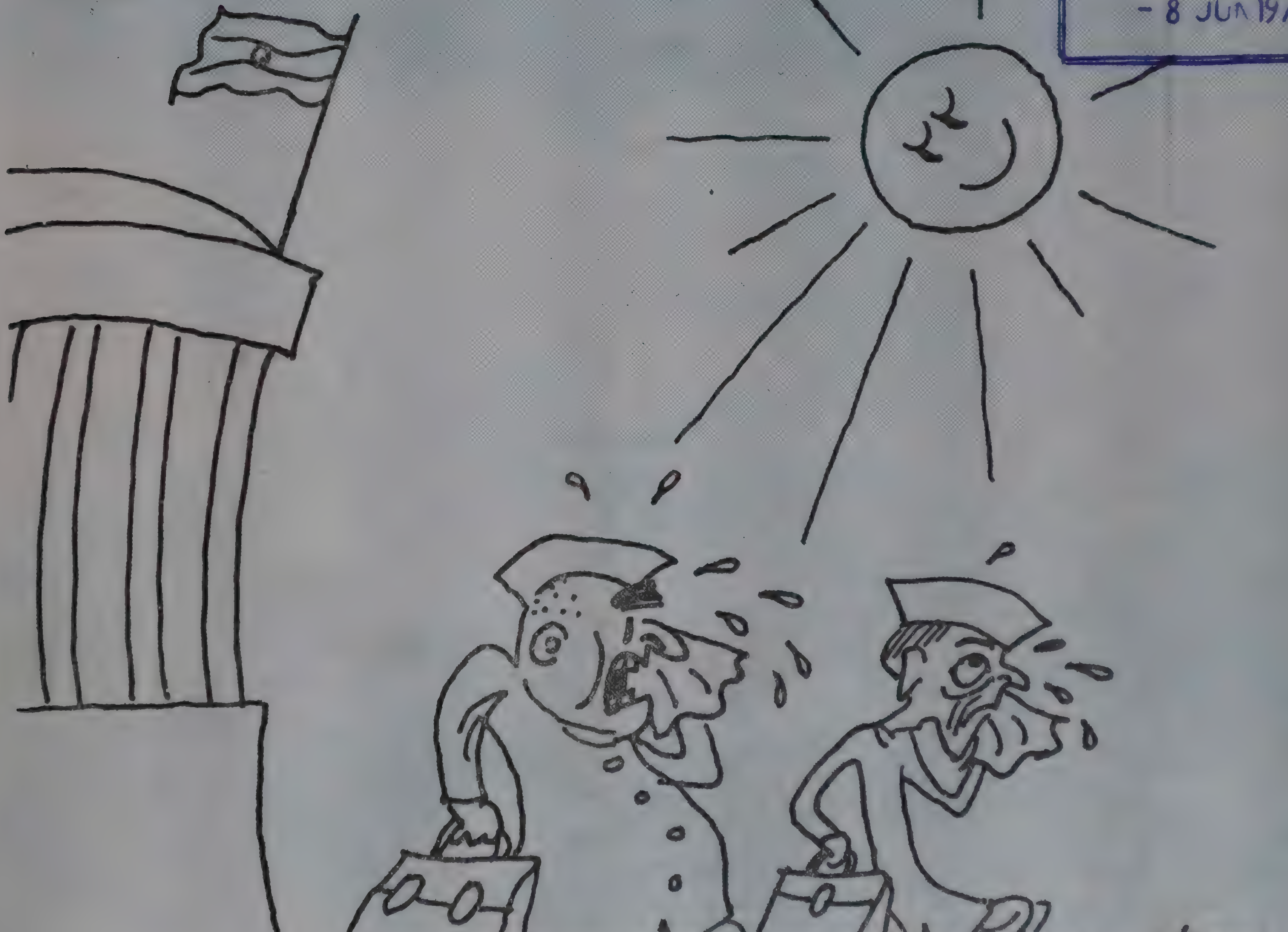

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Leading Articles

An Exercise in Accounting 1213
Bokaro and Thereafter 1214
From a Position of Strength 1216
Eastern India — Plight of Cotton Mills 1218
Swiss Contribution to Operation Flood 1219

Capital's Corridors 1221

Point of View

Economic Growth : A Mini Miracle in Punjab —K.A. Patel 1223
Leadership in Agricultural Cooperative —N. Mohanan 1225

Window on the World

Economic Scene as Viewed in W. Germany —Jossleyn Hennessy 1230
Land Reforms in Sri Lanka —Paul Harrison 1235
Holding on to the Advantage —E.B. Brook 1236

Trade Winds
Aid India Consortium; HSL Restructured; Stamp Duty Raised; TV Licence fee Raised; Workers' Sector; Avoidance of Double Taxation; OPEC Not to Raise Price; Licence for Roller Flour Mills; Development of Backward Areas; Guidelines for Industries 1976-77; In Brief; Names in the News 1239-1242

Company Affairs
Coromandel Fertilisers Ltd; Sandoz (India); Dunlop India Ltd; Adarsh Chemicals; British Airways; Tiger Locks; Molins India; Raymond Woollens; News and Notes; New Issues; Bonus Issues; Dividends 1243-1246

Records and Statistics
Rs 78520 Million Annual Plan 1247
Code of Journatistic Ethics 1252

An exercise in accounting

THE ANNUAL Plan for 1976-77 finalised recently by the Planning Commission has an element of boldness about it. The mark-up in outlay by 31.4 per cent—from Rs 5,978 crores in 1975-76 to Rs 7,852 crores in the year under reference—indicates a departure from the timid and hesitant approach adopted in the first two years of the fifth Plan period, thanks to the invigorating trends witnessed in major sectors of the economy. In order to attain the target of Rs 37,250 crores for the fifth Plan period as envisaged in the draft of the Plan document, the outlay for 1977-78 and 1978-79 will have to be equal to the cumulative total of the outlays for the first three years of the Plan period. It may not be difficult to reach this monetary goal but, in real terms, the level of the content of the Plan would still be significantly lower than what was stipulated in the draft of the Plan primarily because of the erosion caused by the inflationary tendencies.

The Planning Commission proposes to complete the final version of the fifth five-year Plan within the next two months fully aware that it would have no option but to present to the nation a very much truncated plan. Exercises currently being undertaken in Yojana Bhavan attempt to make a reasonable forecast of shape of things to come till the end of 1978-79, taking the contours of the plan for 1976-77 as the base. The real challenge lies in the raising of resources from those sectors of the economy which have been dragging their feet. The bumper harvests and price-support policies have inflated rural incomes but the rural rich have borne a lighter tax burden so far. There is urgent need to raise the irrigation rates so that the rich farmers who profit by the irrigation facilities provided by the state pay for them adequately and do not continue to be a burden on the state finances. The revisions in irrigation rates made so far by the states have been perfunctory. The same policy needs to be applied to the state electricity boards which have incurred losses year after year due to their low tariffs.

It is true that "the planners have been helpless spectators of the economic scene without initiative or influence over economic policy-making or the management of the economy" as stated by *Indian Express* in a recent editorial but the leader-writer in this daily paper struck a naive note when it demanded of the Planning Commission to offer "some new policy approaches or guidelines". It it not essential for the Planning Commission to coin new guidelines with the publication of each annual Plan. The objectives of planning and the policies to be pursued were stated by the Planning Commission in the draft of the fifth Plan. The annual Plan for 1976-77 re-emphasised them keeping in view the altered circumstances since the middle of last year.

For instance, the Plan for 1976-77 stressed the importance of major and minor irrigation (including flood control) by raising the outlay by 46.7 per cent from Rs 468 crores in 1975-76 to Rs 687 crores in the year under reference. Equal importance was given to fertilisers whose outlay was raised by 43.1 per cent from Rs 304 crores to Rs 435 crores. Power (including rural electrification) was allocated Rs 1453 crores recording an increase of 31.9 per cent. All these sectors are central to the development of agriculture which continues to hold the key to our prosperity. Despite the sharp increases in outlay in these priority areas, the target for foodgrains production at 116 million tonnes is a cautious one as, according to latest estimates, the output of foodgrains in the year-ended June 30, 1976, is expected to be of the same order. Thus, the country is not in need of any new guidelines; what is required is the determination to implement the measures already initiated. Any failure on this score would impose a heavy burden on the economy. Whether we like it or not, agriculture in our country is a gamble in monsoons. The efforts made so far have reduced the extent of the gamble but the reduction has not been big enough to impart confidence; hence the top priority to irrigation and power.

The annual Plan has rightly accorded a high priority to price stability. The upward movement of the price index in April has unexpectedly hoisted a danger signal. The increased outlay of the Plan cannot but import strength to the demand pull but the best course open to us is to meet it by increased domestic output, especially of the essential goods of mass consumption. The rising food stocks, the comfortable foreign exchange position and the pick-up in industrial production are all expected to ensure price stability but complacency in this regerd could be harmful. Steps will also need to be taken to reduce the margins of profit at the retail level wherever they tend to be excessive. In big cities particularly, the retail prices of fruits, vegetables and other perishables tend to be violently disparate in different areas causing unwarranted pressure on family budgets. Increased attention therefore, needs to be paid to the retail distribution system in urban areas.

Bokaro and thereafter

IT WILL be presumptuous to assume that the recent formal commissioning by the prime minister of the hot strip mill of Bokaro means that the first 1.7 million tonnes ingot-making stage of this four-million-tonne giant public sector integrated steelworks — fourth in chronological order—has been completed. Several units of this stage still remain to be commissioned. They include the cold rolling mill, the hot rolled sheets and coils finishing section, the strip mill with second reheating furnace, the refractory mass and powder shop under the refractory material plant, the second coke oven battery, the by-products plant, the second sinter band, the second and the third blast furnaces, the third and the fourth convertors and some auxilary units of the first steel melting shop, the fourth turbo blower and the slabbing mill with six groups of soaking pit. All these units are expected to be put on stream by the time the cold rolling mill is commissioned in December next. One unit, namely, the third blast furnace, however, is anticipated to be ready only by April next year. Thus, the first stage of Bokaro would be fully commissioned only about 11 months hence — approximately six years behind schedule.

The inordinate delay in the commissioning of this stage inevitably has had its impact on the construction cost of the project. The first stage is now expected to cost as much as Rs. 941 crores, including the expenditure on off-side facilities, as against the first formally approved estimate of Rs 758 crores. For correctly appreciating the capital cost of this stage, however, allowance has to be made that a good deal of work on the expansion of the project to four million tonnes or slightly more would have been carried out by the time the first stage is completed next year, leaving an expenditure of about Rs 950 crores to be incurred for adding nearly 2.7/3 million tonnes capacity. This is due to the fact that the work on raising the capacity to four million tonnes or slightly more was taken up simultaneously with the execution of the 1.7 million tonnes stage. Till lately, nearly 99.8 per cent of the concrete and RCC work, 98.6 per cent of structurals work, 90 per cent of mechanical equipment task, 9 per cent of electrical equipment work and 92.2 per cent of refractories work of the 1.7 million tonnes stage had been completed along with slightly over 36 per cent of concrete and RCC work, 22 per cent of structurals work, 15 per cent of refractories work, and about 5 per cent each of the mechanical and electrical equipment tasks of the four million tonnes stage. Substantial progress is envisaged to be made for the establishment of the four-million-tonne capacity during the current financial year.

unavoidable delays

The reasons for the delay in commissioning the first stage, of course, are not far to seek. To some extent, they were inherent in the decisions to set up a gigantic steelworks in an inaccessible area and to depend upon indigenous suppliers of equipment and machinery to a considerable extent. Then, there were the overall constraints of availability of construction materials —cement, steel, industrial gases, etc. Some delays in the receipt of detailed documentations from the Soviet Union — the collaborators in the project — on the basis of which the domestic suppliers of equipment and machinery were to plan their manufacturing programmes — for the first time in the country — also complicated matters. There were as well some slippages in placing orders for equipment from the Soviet Union. In fact, the commissioning schedule of the first stage had to be revised several times.

Some of the above constraints, particularly the non-receipt according to the schedules laid down of equipment data from the USSR for the supplies to be procured indigenously, slow rate of fabrication and supply of even structures for the second steel-melting shop and delay in finalisation of orders for the equipment to be received from the collaborators, still continue to hamper the progress of construction. As a result, the completion of the project the four-million-tonne stage is now pected to materialise 18/22 months ter even the current schedule of commissioning it by 1979 — a schedule rawn up last year on the basis of the rogress registered till then.

'The delay in completing the project – though it has been quite expensive in erms of investment, primarily due o global inflation — however, has enabled us to attain a good deal of self-reliance in setting up giant modern steelworks. This should stand in good stead in the execution of future projects. The progress achieved in self-reliance can be gauged from the fact that whereas the first three public sector steelworks at Bhilai, Rourkela and Durgapur were established by foreign collaborators almost on turnkey basis, about 65 per cent of mechanical equipment, 48 per cent of electrical equipment, 80 per cent of instruments, 60 per cent of refractories and nearly 100 per cent of steel structures required for the first stage of Bokaro have been manufactured indigenously, In the second stage of raising the capacity to four million tonnes, the indigenous content is expected to go up even further — mechanical equipment to nearly 85 per cent, electrical equipment to about 86 per cent and refractories to 100 per cent.

production expedited

It, of course, is heartening to note that the production build-up from the installed equipment is being expedited. As against just about 0.25 million tonnes saleable steel output realised last year, this year's target of production has been fixed at 0.72 million tonnes. The output expected next year is 1.8 million tonnes and in 1978-79 — the terminal year of the current Plan period — 2.4 million tonnes. The output envisaged two years hence will result from the expansion of the 1.7 million tonnes first stage to the 2.5 million tonnes intermediary stage planned nearly three years ago by advancing the establishment of some of the capacity which would have accrued under the second stage of expansion to four million tonnes.

The above slippage of 18-22 months in the commissioning of the full four million tonnes capacity of Bokaro, however, is not anticipated to create nudue complications in meeting the domestic requirements of steel during the next four years. Taking into consideration 2.4 million tonnes output of saleable steel from Bokaro, 1.8 million tonnes from Bhilai, 1.15 million tonnes from Rourkela, 0.9 million tonnes from Durgapur, 1.55 million tonnes from Jamshedpur, 0.72 million tonnes from Burnpur and approximately 1.37 million tonnes from the electric arc furnaces, the supply of mild steel from the indigenous sources in 1978-79 is is expected to be around 9.89 million tonnes. The domestic requirements in that year have been assessed around 7.66 million tonnes, on the basis of the past consumption pattern, present market trends, the envisaged growth of the economy, etc.

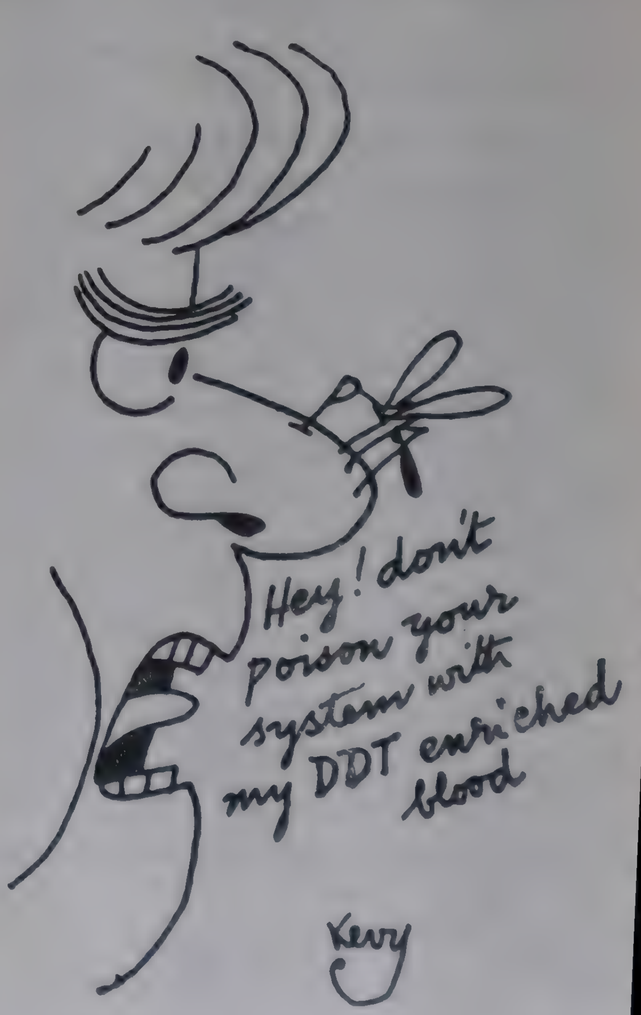
export possibility

There will, thus, be available nearly 2.23 million tonnes of saleable steel for export in that year. This will provide a good cushion for the availability of steel in the domestic market in the first two years of the next Plan by which time not only Bokaro's second stage but also Bhilai's expansion to four million tonnes would materialise. As a sequel, the supply position of steel in the domestic market should remain comfortable during the sixth Plan period as a whole.

This, however, does not warrant that the execution of the proposed Vijayanagar and the Visakhapatnam projects, as also of the Salem special steel plant, can be deferred any considerably. The allocations for these projects till now have been very meagre due to financial stringency. Concerted action ought to be taken to expedite these projects to meet the requirements of the mid-1980s and subsequent periods for the time taken to construct new steelworks, especially when they have to be primarily built through indigenous efforts, is as long as seven to eight years. It might be possible to reduce this time as experience both of consultants as well as indigenous fabricators grows. But no chances can be taken. Even if we come to have some surplus capacity, it should not bother us. Exports can be effected to earn valuable foreign exchange.

ambitious programme

The minister for Steel as well as the Federation of Indian Chambers of Commerce and Industry, in fact, have been stressing in the recent past the undertaking of an ambitious programme of raising steel output to 75 million tonnes ingots or even more by 2000 AD. Perspective studies are said to have been instituted in this regard. The investment required as well as the likely consumption trends — based on the past experience, of course — may not warrant such an ambitious planning. But there can be no denying the fact that growth in steel-making capacity in the coming years has to be at


Hey! don't poison your system with my DDT enriched blood
Kevy

a much more accelerated pace than has been the case hitherto. Besides the Vijayanagar and Visakhapatnam schemes for which detailed project reports are under preparation at present, feasibility studies for two more plants based on the Bailadila (Madhya Pradesh), Rowghat (Madhya Pradesh) and Surajgarh (Maharashtra) iron ore deposits have been conducted recently. There are plans to study the locations of three more green-field projects based on the Bonaigarh/Nayagarh (Orissa), Goa and Kudremukh deposits. The Kudremukh deposits are envisaged to be developed in the beginning for export to Iran. In the interest of containing the investment in steel manufacture without impairing the long-term interests, a judicious mixture of expansions of the existing plants and the setting up of new plants will have to be thought of. Bokaro is ultimately proposed to be expanded to 10 million tonnes. A similar ultimate capacity is envisaged for the Bhilai works also. As the production at the Rourkela and Jamshedpur plants too has sufficiently stabilised, their expansions also can be considered in the near future. The operations at Durgapur can be expected to stabilise in the next couple of years. The expansion of this project can be thought of then. In the case of the Burnpur plant, the current rehabilitation programme, of course, will take several years to be accomplished. It may be possible to increase the capacity of this unit only at that time.

From a position of strength

THE PROVISIONAL data relating to foreign trade for 1975-76 now available clearly indicate that the sizable deficit was due to exceptional factors and the gap would have been much higher than for 1974-75 but for a spurt in exports in the last quarter along with a significant reduction in imports. It is now stated that the aggregate exports for the 12 months ended March 31, 1976 were Rs 3,863 crores against Rs 3,330 crores in 1974-75. As imports rose sharply to Rs 5,018 crores from Rs 4,519 crores, the gap was nearly as large as that of 1974-75 being Rs 1,154 crores as compared to Rs 1,189 crores for the previous year. No details are available in regard to the composition of trade. But it will not be incorrect to assume that sugar exports topped the list and foreign exchange earnings from tea, coffee, hides and skins, engineering goods and marine products were higher than in 1974-75. It is indeed gratifying to note that exports were again higher by Rs 533 crores on top of the improvement of Rs 817 crores registered in 1974-75 as compared to 1973-74.

The increase in the value of exports by over 50 per cent in two years—1974-76—has not however helped the country to prevent an enlargement of trade gap from Rs 432 crores in 1973-74 to Rs 1,189 crores in 1974-75 and Rs 1,154 crores in 1975-76. It is necessary, however, to draw attention to the fact that the trade deficits for the last two years have entirely different connotations. The year 1974-75 witnessed for the first time the full impact of the hike in oil prices and imports of crude and petroleum products alone rose by Rs 596 crores. There were also larger imports of foodgrains, fertilisers and iron and steel which accounted between them for an additional outlay of Rs 830 crores. It will be thus seen that out of the increase in aggregate imports by Rs 1,564 crores in 1974-75, crude and petroleum products, foodgrains, fertilisers and iron and steel accounted for as much as Rs 1,426 crores. The remaining items thus rose by onl Rs 138 crores. In 1975-76 the oil bi did not increase further sizably as th adjustment to the new situation ha been completed and there was even marginal decline in the quantum c imports in this group.

food imports

On the other hand imports o foodgrains constituted a record i recent years (around seven millio tonnes) and the value could hav been easily over Rs 1,000 crores There were also sizable imports of fertilisers and non-ferrous metals along witl steel in pursuance of earlier contracts There were of course larger purchases of plant and machinery and other items The increase in imports of Rs 499 crores over 1974-75 could be said to be of the order of Rs 400 crores in respect of foodgrains, fertilisers and non-ferrous metals.

When assessing the prospects for 1976-77 care therefore should be taken to exclude the bulge arising out of imports which were meant to augment buffer stocks or which were effected due to fears that internal production may not rise adequately. There is actually a problem of maintaining buffer stocks of foodgrains as internal procurement of wheat and rice has far exceeded earlier expectations and imports have been used for building up buffer stocks which are now over 13 million tonnes (May 24, 1976). There are adequate stocks of petroleum products and with an increase in the output of crude from indigenous sources by over 1½ million tonnes in 1976-77 there can even be a marginal reduction in imports in this group. There will not be any need for food imports except those arranged on a concessional basis. In fact it will suffice if these imports are restricted to 1.5 million tonnes in order to maintain trade relations, and utilise grants or concessional credits. In that event there can be a saving of over Rs 700 crores by pruning imports of foodgrains alone. On a conservative basis it can be assumed that the saving will be around Rs 500 crores. There will not be any need for importing in large volume fertilisers and iron and steel as there is a glut within the country due to heavy earlier imports and rising production. The pruning under these heads can be easily Rs 350 crores. The gap can thus be reduced to Rs 300 crores even with the same level of exports of 1975-76. But these are expected to rise to Rs 4,350 crores if not Rs 4,500 crores. Theoretically therefore it should be possible to conduct trade on a balanced basis if not for achieving a net surplus of exports over imports.

There may however be an increase in the cost of imports of machinery, intermediate products. non-ferrous metals and other items due to a larger quantum as well as an increase in prices. These imports can be augmented by even Rs 500 crores to the extent of additional value of exports. Even then the trade gap will be only small with exports around Rs 4,500 crores. The management of foreign trade in the current year has therefore to be directed on intelligent lines and the scope eliminating unwanted imports should be fully exploited.

cautious optimism

The trends in imports and exports in the first three months in 1976 warrant cautious optimism when projecting the estimates for 1976-77. On the basis of a rough computation, imports in Jan-March 1976 dipped to Rs 1,200 crores from Rs 1,269 crores in the corresponding period in 1975. As exports rose to Rs 1,161 crores from Rs 897 crores there was a gap of only Rs 40 crores against Rs 372 crores. The deficit in 1975-76 was thus due to heavy imports in the first nine months, the gap for April-December 1976 being as much as Rs 1,114 crores against only Rs 817 crores in the same period in 1974. It may be that there was a sharp tapering off of imports in the first three months of this year. But exports can be expected to be maintained at the level of this period if not improved. In that case the target of Rs 4,350 crores for the current year can be easily achieved. With a good contribution from iron and steel, tea and coffee, sugar, hides and skins and engineering goods exports can even be Rs. 4,500 crores. Imports can be expected to average Rs 420 crores a month at the outside limit and may not probably be more than Rs 4,800 crores. The assistance from Aid-India Consortium and other sources will thus be more than adequate for meeting the trade gap. It may even be possible to build up foreign exchange reserves to some extent as the aggregate amount required will be only Rs 850 crores including the servicing of foreign obligations against gross aid of possibly Rs 1,300 crores.

It is, unlikely therefore that there will be any strain on the balance of payment position in the coming months. As stated last week in these columns, in the past twelve months foreign balances held by the Reserve Bank and the Issue and Banking Departments have risen in a spectacular manner. While it was necessary to borrow heavily from the International Monetary Fund in 1974-75 for bridging the trade gap and meeting other commitments, the government could even think of returning in 1975-76 to the International Monetary Fund Rs 65 crores against the drawing in February 1974. Only the oil facility of 200 million SDRs was utilised and even allowing for this drawing, foreign balances with the Reserve Bank rose by over Rs 550 crores in the twelve months ended May 14, 1976. The inflow of remittances from Indians residing abroad and larger invisible receipts have been helpful in building up foreign balances. With the prospect of a smaller deficit and the continuing inflow of remittances and

Eastern Economist 30 Years Ago

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One of the methods by which the dollar hungry world can earn that scarce currency Is by encouraging American citizens to tour and spend abroad. The United States Secretary of Commerce Mr Henry Wallace has more than once emphasised this possibility. In his view, the expenditure of United States citizens on foreign travel may reach a level of more than a billion dollars annually by the early 1950's. Commerce Department economists hold the view that if the national income of the country is kept at 150 billions a year as expected, expenditure on foreign travel will amounted to 1,250 million dollars i.e., ratio is less than one per cent of national income. The distribution of the benefits of American foreign travel has been very uneven in the past. Canada in the past received about 40 per cent of such expenditure; European and Mediterranean countries a little more; Mexico slighty less than a fifth; and Central and South American countries received greater part of the balance. In the year 1938 United States citizens spent 156 million dollars while visiting Canada and the result was Canada received an average of 14 dollars per head. In the war year 1943 United States tourists spent 54 million dollars in Mexico or about 2½ dollars for every Mexican. It is expected that the tourist traffic is bound to grow now and in the immediate future for a number of reasons. Air transportation has greatly facilitated and stimulated travel, the cost of air transport also steadily being reduced. All the American citizens who have been in the course of the war scattered over the four corners of the globe have cultivated a desire to revisit all the countries of Europe and the Far East India, in which the American have been taking more and more interest, will do wel to organise itself to secure a substantiol slic of the U.S. tourist dollar. The exact way i which American tourist traffic to India shoul be encouraged and developed will be a mos attractive theme for any ambitious businessma invisible receipts on an impressive scale, foreign trade transactions can be conducted from a position of strength. Even if there were uncertainties relating to foreign aid due to drop in the quota from International Development Association, the liberal import policy can be successfully administered. What is needed is the elimination of unwanted imports and an increase in imports of desired items enabling effective use of available foreign exchange resources.

Eastern India — plight of cotton mills

In his presidential address at the annual general meeting of the Bengal Millowners' Association held in Calcutta on May 13, 1976 Mr B.P. Jalan highlighted several handicaps of the cotton textile industry in the eastern region. He said that the financial crisis that had overtaken the textile industry in India had affected the mills in the eastern region to a great extent due to the high cost of importing cotton, lack of power and its excessive cost, low labour productivity, and inadequate credit. So far as the supply of cotton was concerned, Mr Jalan pointed out that the mills in this region had to procure their entire requirement from other states, most of which were not less than 1500 km away. Moreover, the mills had to pay extra interest on the additional investment since they had to hold at least one and a half months' extra stock of cotton. The government of West Bengal has been repeatedly urging the centre to equalise the freight rate so that cotton could be made available to textile mills all over the country at a uniform price

a good case

West Bengal and the other states in the eastern region seem to have a good case for making cotton available at reasonable prices. The government of India therefore should study the implications of the freight equalisation of cotton and come to an early decision. Meanwhile, the government of India has done the right thing by arranging for the import of 150,000 bales of cotton in the current financial year at a cost of Rs 35 crores. The industry had suggested that the government should permit the import of cotton on an open general licence, subject to a ceiling of about 300,000 bales. Mr Jalan said that as the world supply position was itself not very easy, "a flexible arrangement" was necessary to enable the mills to buy cotton from various sources, depending on price parity between Indian and foreign cotton. The government of India may be expected to adopt this kind of flexibility. In the meantime, the government of West Bengal and the textile industry should intensify the efforts to cultivate cotton in that state.

other problems

But even if the mills in the eastern region are provided with regular supply of cotton at reduced prices, there are several other problems which do not offer an easy solution. For instance, the labour productivity of the mills is very low and therefore the cost is high. As Mr Jalan explained, "In spite of gradual modernisation that has taken place slowly over the past decade or so, the textile mills in the eastern zone are still highly labour intensive. In fact, in the matter of machine-labour ratio up to the spindle point, West Bengal has been engaging the highest quantum of labour in the whole country. The number of hands per loom in West Bengal is also extremely high. At the same time, the type of fabrics produced by the mills in the eastern zone is mostly grey, in which the price realisation is extremely low.

Unless the workload in the textile units in this zone is brought up to the standard level, and schemes of rationalisation are effectively implemented, the industry can never hope to survive a recession. Workers' whole-hearted co-operation in the matter of bringing the workload to a standard level and implementing schemes of rationalisation are absolutely essential for restoring the health of the industry". But there is no indication as to how far the textile industry will get adequate support from the government of West Bengal and the trade unions in carrying out the schemes of rationalisation.

special assistance

Mr Jalan pleaded for some special assistance to the cotton textile industry for modernisation and expansion. He suggested that in view of the increase in machiney prices and the need for early modernisation, the IDBI's rediscounting facilities should be given in the range of Rs 50 lakhs to Rs one crore, depending on the size of the unit. He also suggested a revision of credit limits and the reduction of the margin. The Reserve Bank should sympathetically consider this proposal since the mills in this region are located far away from the cotton-producing and store supplying centres and therefore have to keep larger stocks.

The president of the Bengal Millowners' Association criticised the government's textile policy and pointed out that the decision to provide relief to the industry by shifting some portion of the controlled cloth responsibility to the decentralised sector would not benefit the mills in the eastern region. He said, "It is the general feeling among the composite mills in our zone that they would continue to incur heavy losses on controlled cloth, and the phased shifting programme will not offer any immediate relief to them. Shifting of obligation to handlooms is likely to involve considerable time lag, and in the meantime the health of the textile industry has been going from bad to worse. Exemption from controlled cloth obligation has been given to all NTC mills, and a few other units which had wiped out their resources. All other units in the industry are still bearing the same burden of obligation. It does not seem right that relief should be given only after the mills have turned sick and uneconomic".

The government of India therefore should given special attention to the problems of the cotton mills in the eastern region. But the state governments also should do its best to help the industry by facilitating the implementation of the schemes of rationalisation and by making additional electricity available at reasonable prices.

Swiss contribution to operation flood

EVEN THOUGH much advance has been made in the introduction of exotic varieties of foodgrains in our country which have earned international recognition, in the area of dairy development there had not till recently been any progress worth mention. One reason for this obvious neglect of one of our more important areas of economic activity has been the time consuming nature of dairy development when compared to the quicker results achieved on the farming front. The technology of cross-breeding involves complex ecological situations as well as significant social factors. Kerala being one of the progressive states, cross-breeding of local cattle with exotic foreign breeds had been introduced there some two decades ago.

important contribution

The Indo-Swiss Project for Cattle Breeding and Fodder Development has made an important contribution in this field. The project was started in collaboration with the Swiss Technical Cooperation Service with the specific aims of creating a new breed of cattle which would be attuned to Indian conditions and a systematic promotion of fodder production.

Kerala has a per capita availability of 0.11 hectare of land and sixty per cent of the holdings are less than one acre. Under these circumstances the diversification of farm economics cannot be overemphasized; and the development of animal husbandry and dairying provide the best supporting occupations. This more or less holds good for the whole country. From the nutritional point of view also there is need to increase milk production as there is a big gap between the current availability of milk and the desirable level of per capita consumption.

cross-breeding

The breed which can adapt itself to the local conditions and flourish in a particular environment must in all possibility be evolved out of a combination of the exotic with the indigenous. The local breed contributes disease-resistance and hardiness to withstand local climatic conditions, while the exotic breed adds to the production potential. The Swiss Technical Cooperation Service has helped in introducing the Brown Swiss breed in Kerala which is approved for cross-breeding purposes by the government of India. Brown Swiss has been proved to provide greater milk yield as well as adaptability to local conditions, heat tolerance and higher draught power. It has brought about sign
ficant improvement in the cattle bree
in Kerala which is vouchsafed by t
indepth study made of the programm
by the National Dairy Research I
stitute (NDRI), Kernal. The stu
was undertaken in Idukki and Alle
pey, two districts with distinct climat
conditions. Idukki is in high range
with subtropical climate. In the hig
ranges there are natural grasslan
which offer good potential for catt
rearing on economic terms. The gras
lands are utilised by the settler farme
(who had migrated to the upper range
some two decades ago), and tea labou
rers. The settler farmers supplemen
grazing with concentrates while tea la
bourers rely normally on grazing alone
However in the extension area unde
the Indo-Swiss project, tea labourers a
well as settler farmers look after thei
cattle better than in other areas.

cost benefit ratio

In the extension area under the
project, the NDRI survey has foun
that the cost benefit ratio is greate
than 1.0 and the interest rate of retur
is higher than the prevailing Ban
Rate. Although the full utilisa-
tion of improved genetic potentia
involves higher investment, increase
production of milk more than com
pensates for the cost of inputs. Th
per capita consumption of milk in th
extension area is even more than re
commended by the Nutritional Ad
visory Committee. This has bee
achieved through the reduced age o
the cow at first calving, shortened dr
periods and calving intervals an
above all, higher milk yields.

Cattle feed is the most importa
item of cost for the cross breed
According to the NDRI survey of t
Indo-Swiss project, the daily avera
expenditure incurred in feeding a lact
ting cow is much higher in the plai
than in the high ranges because
the higher proportion of concentra
used. Thus, the cost of rearing
Brown Swiss crossbred calf up to
first calving is Rs 2719 in the plai

Rs 1013 for the settler farmers in the high ranges and hardly Rs 337 for tea labourers. For the non-descript cows (i.e. local non-cross breeds) it is less than half this amount with all the three categories of farmers.

As against this the yield of a lactaing Brown Swiss cross-bred cow in the extension area is four times that of the non-descript cow. Because of the better feeding in the plains, the production of milk in the extension as well as other areas is greater than in the high ranges. The superior performance of the Brown Swiss cross-bred is evident from the fact that yield in the high ranges is up to three times that of that non-descript cow. Milk producers in the plains who own non-descript animals incur loss. Since tea labourers spend hardly anything on their cattle, because they feed on grassland, they do not incur any loss at all on the non-descript cows. However, they make greater profit with the cross-bred.

utilisation of milk

The study has done well to ascertain the mode of utilisation of milk by the different producer groups. Whereas in the extension area in the plains there is an average marketable surplus of 2.5 litres of milk per household even after the domestic consumption of 1.8 litres, in the non-extension area it is hardly half a litre after the domestic consumption of only 0.61 litre. This shows what a difference cross-breeding makes to the economy of the farmers. Even when the households in extension areas consume three times that in the other area, they still have a marketable surplus four times that of the non-extension area. Even tea labourer households in the high ranges have a marketable surplus of 1.8 litres in the extension area after consuming twice the amount of milk which is domestically consumed in the non-extension areas.

The NDRI survey thus reveals what a silent revolution has come about in the Indo-Swiss project area in the two districts of Kerala. This project was one of the earlier collaborations undertaken in the field of dairying in the country. Since then there have come up more projects particularly under the World Food Programme 'Operation Flood' which gives assistance on a large scale for dairy development and milk marketing with which the IDA has recently associated for rural development work in Rajasthan and Madhya Pradesh. Britain, Denmark and some other countries are also helping under the 'Operation Flood'. There is another Indo-Swiss collaboration project working in Patiala, Punjab.

India has millions of head of cattle in its villages and the extension projects so far undertaken do not even scratch the surface of the problem or prospects. There is need for hundreds of extension projects similar to the Indo-Swiss operation covering the length and breadth of the country to cater for the peculiar requirements of the various regions which are in many ways wholly disparate from one another, ranging from the coldest Himalayan reaches to the hottest plains in the central parts of the country. Different cress-breeds will be required for different regions and climes. The problem is enormous but not insurmountable. The Indo-Swiss extension programme has indicated the scope in dairy development.

RECORDS AND STATISTICS

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R. C. Ummat

Boosting fertilizer consumption • Manufacture of drugs • Super thermal stations • Bombay High oil

In a letter to state chief ministers, the union minister of Agriculture and Irrigation, Mr Jagjivan Ram, has indicated that the government is not considering any further reduction in the prices of fertilizers. This he has done with a view to setting at rest all speculation about further scaling down of these prices which is stated to have hampered offtake of this essential output by dealers in the recent past.

Mr Jagjivan Ram has stressed in his letter that the prices of fertilizers have already been reduced substantially since July last year—to reflect the changed world situation as well as in the interest of stimulating consumption. So, no further cut in them should be expected in the near future. He has requested the chief ministers to publicise this fact widely so that the dealers should pick up stocks well in time to meet the requirements of farmers during the coming kharif season.

vigorous campaign

Mr Jagjivan Ram has also called upon the chief ministers that they should initiate vigorous campaigns in selected districts to encourage application of fertilizers to farming. A recent study by his ministry, he has pointed out, has revealed that 45 per cent of the total consumption of fertilizers in the country at present is confined to just 55 districts and that it can be raised very significantly in another 54 districts where availability of irrigation and cropping pattern are conducive to farmers going in for fertilizers. A well throught out strategy, of course, will have to be adopted to boost fertilizer consumption in the new selected districts. These districts are:

selected districts

(i) *Andhra Pradesh* : Srikakulam; Visakhapatnam; Nellore; Nizamabad; Anantapur; Chittor; Medak.

(ii) *Bihar* : Aurangabad; Bhojpur; Rohtas; Gaya; Bhagalpur; Palamau.

(iii) *Rajasthan* : Ajmer; Alwar; Bhilwara; Pali; Sirohi.

(iv) *Orissa* : Puri; Bolangir; Cuttack.

(v) *Maharashtra* : Sholapur: Bhandara; Chandrapur;

(vi) *Gujarat* : Gandhinagar; Banaskantha; Mehsana.

(vii) *Haryana* : Jind; Rohtak; Gurgaon.

(viii) *Madhya Pradesh* : Balaghat; Tikamgarh; Chhattarpur; Gwalior.

(ix) *Jammu and Kashmir* : Srinagar; Anantanag.

(x) *Punjab* : Kapurthala.

(xi) *Assam* : Goalpara.

(xii) *Himachal*: *Pradesh* : Sirmur.

(xiii) *Tamil Nadu* : Tirunelvelli.

(xiv) *Karnataka* : Shimoga.

(xv) *Uttar Pradesh* : Meerut, Jaunpur; Gazipur; Rai Bareli, Etawah; Azamgarh, Mainpuri; Etah; Mathura; Aligarh.

(xvi) *West Bengal* : Burdwa
Birbhum.

Adequate stocks, Mr Jagjivan Ra
has informed the chief ministers, a
being kept in the above districts an
additional retail outlets are bein
opened there so that farmers do no
have to travel long distances to procure fertilizers.

The strategy suggested by the ministr
of Agriculture and Irrigation is the setting of targets of consumption of fertil
zers not only for each village and bloc
of the above districts but also for the administration from the district collecto
down to the village level worker. Th
administrators, it has been suggeste
should as well be made responsible fo
giving guidance to farmers in th
improved methods of cultivation.

Mr Jagjivan Ram has assured that
special arrangements have been made to
gear up the credit machinery in the
above districts. The scale of finance
required for each crop, taking into
consideration the expert recommendations of fertilizers doses, is being fixed
Target dates, it has been urged, should
be laid down for lifting the kind portion of the loans and all arrangement
should be made for distributing th
credit well in advance of the cultivatin
season.

soil testing

Another important step that ha
already been taken in this regar
Mr Jagjivan Ram has pointed out,
the launching of a soil testing drive s
that correct scientific recommendatio
of the doses of fertilizers to farme
can be made.

The above measures, it has be
requested, should be followed up
the state level by undertaking a massi
training programme both for the st
and farmers to provide them techni
information of fertilizer use, holdi
of special fortnights in selected ar
as well as to the extent possible

promoting fertilizer use, laying of demonstrations, etc.

Efforts, it has been stated in the letter, are being made to ensure close coordination between the various agencies concerned with the promotion of fertilizers. These include credit agencies, extension agencies, and agencies supplying other inputs, including irrigation facilities.

* *

After a case by case study of the important bulk druges used in the 117 essential formulations which have been identified by the Hathi Committee, the union ministry of Chemicals and Fertilizers is stated to have allocated additional capacities for their manufacture as follows :

(1) *Further Expansion in Public Sector*: (i) penicillin; (ii) Streptomycin; (iii) Tetracycline Hcl; (iv) Sulphadimidine; (v) Phthalyl Sulphathiazole; (vi) Sulphacetamide; (vii) Vitamin B-1; (viii) Vitamin B-2; (ix) Folic Acid; (x) Calcium Pantothenate and Panthenols; (xi) Piperazine and its salts; (xii) Quinine; (xiii) Analgin; (xiv) Phenobarbitone; (xv) Morphine; (xvi) Frusemide; (xvii) Noscapine; (xviii) Erythromycin; (xix) Semi Synthetic Penicillins, including Ampicillin; (xx) Grissofulvin; (xxi) Amidopyrine; (xxii) Rifampicin; (xxiii) Cycloserine; (xxiv) Oxytetracycline; (xxv) Doxycycline; (xxvi) all Sulphas which are not produced locally or approved so far for other units; (xxxvii) Phenacetin; and (xxviii) Acetazolamide.

private sector

(2) *Expansion Preferably through the Indian Sector* : (i) Iodo-Chloro-hydroxy-quinoline; (ii) Diethyl Carbamazine Citrate; (iii) Diethyl ether; (iv) Ethyl Chloride; (v) Amitryptilene; (vi) INH; (vii) PAS; (viii) Thiacetazone; (ix) Paracetamol; and (x) Emetine.

(3) *Open for Licensing to Indian as well as Foreign Sectors* : (i) Chloramphenicol; (ii) Chlorpheniramine Maleate; (iii) Chlorpromazine Hcl; (iv) Vitamin A; (v) Vitamin B-12; (vi) Vitamin D-2/D3; (vii) Glyceryl Trinitrate; (viii) Tetracyloroethylene; (ix) Insulin; (x) DDS (Dadsons); (xi) Chloroquin Phosphate; (xii) Primaquin Phosphate; (xiii) Aspirin; (xiv) all Steroids/Hormones; (xv) Hydrochlorthiazide; (xvi) Theophylline/Aminophylline; (xvii) Succinyl Choline Chloride; (xviii) Nor-adrenalins Tartarate; (xix) Oxytocin; (xx) Methyl Erogometrine Maleate; (xxi) Mephentermine Sulphate; (xxii) Atropine Sulphate; (xxiii) Bacitracin; (xxiv) Oleandomycin; (xxv) Thiopental Sodium; (xxvi) Reserpine; (xxvii) Homotropine; (xxviii) Physostigmine; (xxix) Menthol; (xxx) Thymol; (xxxi) Benzoic Acid; (xxxii) Benzaldehyde; (xxxiii) Salicylic Acid; (xxxiv) Methyl Salicylate; (xxxv) Oetrimide; (xxxvi) Prenylamine lactate; (xxxvii) Oxyphenyl Butazone; (xxxviii) Dexamethasone; (xxxix) Triamcinolone Acetate; (lx) Thioridazine (Malleril); and (lxi) Isoptin.

general approach

The general approach towards assigning the above production programmes to the three sectors is said to have been : (1) Essential drugs, especially the antibiotics, which are vital to the national health programme, should be entrusted to the public sector, within the constraints of the financial resources available; (ii) Other areas where technology is available and the Indian sector is capable of arranging the requisite technological managerial and financial resources, may be entrusted to this sector only; and (iii) High technology-oriented areas requiring substantial investment and where public sector and the Indian sector would not be able to fill the gap between demand and availability, especially those concerning tropical diseases, may be open to both the Indian and foreign sectors.

* *

Four super-thermal power stations are understood to be under the consideration of the government for establishment one each in the northern, western, eastern, and the southern regions of the country. They, however, are proposed to be taken up only after some time due to financial constraints,

regional location

The super-power station to be set up in the northern region will be located at Singrauli and the one in the western region at Korba. Each of them will have a capacity of 2,000 MW. The stations to be set up in the eastern and the southern zones will be located at Farakka and Ramagundam/Neyveli. The former will have 1,200 MW capacity and the latter 1,000 MW capacity.

To begin with, the Singrauli, Korba and Ramagundam/Neyveli stations will have five units of 200 MWs each. The Farakka station will have six similar units. They will take about six years to commission.

It is proposed to go in for 500 MW generating sets at Singrauli and Korba after the five units of 200 MW each have been commissioned there. Both Singrauli and Korba are envisaged to have ultimately two 500 MW generating units each.

* *

The latest indications reveal that the actual production of crude oil from Bombay High would be of the order of one million tonnes during the current financial year, 2.25 million tonnes next year and 4.75 million tonnes in 1978-79. Adequate potential for yielding these levels of output during the three years is being built up. The rate of production expected to be attained by the end of the current year is 1.5/2 million tonnes. The area is anticipated to yield about 10 million tonnes of crude oil after in full development by early 1980s.

POINT OF VIEW

Economic growth : a mini miracle in Punjab

K. A. Patel

Punjab is a small but dynamic state of the Indian union. The real miracle of Punjab is to be seen in its argricultural production.

THE STRENGTH of our subcontinent-like country depends upon the health of its different states. Out of 22 states, there are 15 major ones, each one of them having population above ten millions. While there are 190 countries on this globe, there are only 55 countries which have a population of 10 millions i.e. the remaining 135 countries are smaller than each one of our major states in respect of population.

Out of these 15 major states, Punjab is a small but very dynamic state. With an area of 50,000 sq km it occupies the 13th rank; in the middle of 1975, with a population of 14.7 millions, it stood 14th among the major states. With an area of 443,000 sq km Madhya Pradesh had the largest size. With population of 94.8 millions, Uttar Pradesh was the most populated state. In 1971, our country had 20 per cent urban population and 30 per cent literate population, but in Punjab the corrresponding percentages were 24 and 33 respectively.

the infrastructure

The economic growth of any state or country depends upon its infrastructure. In this respect, Punjab leads the rest of the states. As far as per capita consumption of electricity is concerned, in 1974-75 against 147 kwh all-India average, Punjab had 358 kwh; in the case of this indicator also, Punjab was first among all the major states. With 257 kwh per capita consumption, Haryana stood second.

Punjab is very well endowed with railway lines also. In 1967-68, all-India average length of railway line per 100,000 of population was 12 km and 18 km per 1000 sq km of area. These averages for Punjab were 16 km and 42 km respectively which gave it the 4th and the 1st ranks respectively among the major states.

top in irrigation

Punjab is also on the top of the list as far as irrigation is concerned. In 1971-72, net irrigated area as per cent of net sown area for all-India was 23; with the corresponding ratio at 73 Punjab was first while with only 8 per cent, Maharashtra was the last i.e. 15th.

But in regard to roads, Punjab does not occupy the top position. In 1966, with an average 50 km length of surfaced roads per 100,000 of population, Punjab lagged behind some 10 major states. Compared to the all-India average of 9 km per 100 sq km of area, Punjab's average was 13 km and it lagged behind three major states. Punjab with abundance of resources can and should come to the top of the list in this respect also.

The general index of infrastructural development in 1971-72 for Punjab was 216 with all-India average at 100. It led all the other states. Tamil Nadu with the index at 164 rank second.

In framing a development pla much depends upon a state's capac to raise resources, a major proble being how much tax and non-t revenue to tap and from which sourc In fact, the state's own tax effo plays a significant role and is t major determinant of its capacity carry forward economic developme From this point of view, Punjab next to none though it can still much more.

Punjab's own resources—tax and no tax—as percentage of total resources 1971-72 were 71.65 per cent as com pared with the 16 states' (includi J & K) average of 57.12 per cent. this regard Punjab was second to on Haryana (73.40 per cent). As far the state's own tax revenues we concerned, Punjab again topped t list with 59.66 per cent.

tax revenue

In 1962-64 per capita tax revenue Punjab was Rs 17.83. Here Punjab w second to Maharashtra with Rs 20 per capita revenue. However, 1970-72 Punjab came first in the r with per capita tax revenue Rs 56.69.

If a comparison is made of the r of taxes to a state's domestic prod Punjab offers substantial room improvement. In 1962-64, this r for Punjab was 7.12 and it was among the major states but as t passed it started losing in this com tion. In 1970-72, this ratio for Pu had come down to 6.36 placing it in the third place after Tamil Nadu and Maharashtra respectively.

In regard to direct land taxes, Punjab—agriculturally the most developed state—lies at the tail of all the 16 states. The ratio of direct land taxes to state domestic product in 1970-72 was 0.12 only and to state agricuitural income was 0.21 only. In both respects none of the 16 states was next to it. For all the 16 states, these ratios were 0.43 and 0.81 respectively.

great strides

Punjab was not always at the top among the major states. For instance, in 1960-61, with per capita income of Rs 383 it was third after Mahrashtra (Rs 419) and West Bengal (Rs 386). Even the all-India average per capita income was Rs 394 which was more than that of Punjab.

But in the sixties, it took great strides to reach the top. In 1969-70, with per capita income of Rs 945 at current prices, it was first among all the states. With Rs 731, Maharashtra was third and the all-India average was Rs 589.

Between 1960-61 and 1967-68, the average annual compound rate of economic growth at the all-India level was 3.4 per cent; Punjab had a growth rate of 6.9 per cent which was the highest among the 16 states. Incidentally, this was double of all-India average growth rate.

The real miracle of Punjab is to be seen in agricultural production. As against the all-India average annual increase of 2.1 per cent in foodgrains in the trienniums ended 1961-62 and 1973-74, corresponding rate for Punjab was 6.5 per cent which was three times more than that of the all-India average. In the case of rabi foodgrains production, Punjab had annual average production between 1969-70 and 1973-74 at 5.623 million of tonnes which was 14.5 per cent of the all-India total rabi production. Against this, Punjab's population is only 2.5 per cent of the country. In the case of wheat production Punjab produced 22.4 per cent of the all-India output. No wonder that Punjab is sometime referred to as the granary of India.

The importance of the rural sector in any strategy for economic development in our country is fully recognised by every one. In Punjab however it is given top priority. This is clear from the fact the Punjab's prosperity does not lean on the large-scale manufacturing industries. In 1970, the average per capita value added by large-scale manufacture in the country was Rs 53, while this average for Punjab was Rs 38 only giving it the 8th rank while Maharashtra ranked first with Rs 156.

spread effect

Undoubtedly agriculture and small-scale industries have greater spread effects than the large-scale industries, and this is clearly seen in the distribution of population living below the line of destitution. As against the all-India average of 22.37 per cent of population living below the line of destitution, in Punjab this percentage is only 14.51—far below the all-India average while in Maharasntra it is 22.83 per cent—a little above the all-India average.

In short, Punjab is doing very well in all respects and can be described as a developed region of our under-developed country. Punjab is a good example for others to follow. It points to the heights which can be scaled.

Agricultural Progress in Punjab

(Production in '000 tonnes/bales)

Crop	Average for the year 1959-60 to 1961-62	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75 (Anticipated)	1975-76 (Target)
Foodgrains	3,170	6,924	7,305	7,925	7,692	7,728	8,100	9,000
	(100.00)	(218.42)	(230.44)	(250.00)	(242.65)	(243.79)	(255.52)	(283.91)
Oilseeds	108	213	233	272	268	294	300	350
	(100.00)	(197.22)	(215.74)	(251.85)	(248.15)	(272.22)	(277.78)	(324.07)
Sugarcane in terms of Gur	430	618	527	403	469	582	600	600
	(100.00)	(143.72)	(122.56)	(93.72)	(109.07)	(135.35)	(139.53)	(139.53)
Cotton	689	804	818	972	1,016	1,093	1,100	1,150
	(100.00)	(116.69)	(118.72)	(141.07)	(147.46)	(158.64)	(159,65)	(166.93)

Figures in brackets are indices with triennium 1959-60 to 1961-62 as base.

Source: Punjab, the Possible Dream

Leadership in agricultural cooperative

N. Mohanan

This article is based on interviews with 40 leaders associated with service cooperatives in one of the politically sensitive districts in Kerala. It comes to the conclusion that the quality of leadership is highly relevant to the management of cooperatives

LEADERSHIP IS consolidation of power toward some desirable objectives. The late Prof D.G. Karve observed : "Leadership consists in a capacity to shoulder responsibility and to carry it out". The legacy of leadership in cooperatives is an accepted yardstick to delineate the functional success for motivating men and resources in building up a viable edifice. Cooperatives in India are plagued by many socio-cultural currents which work at cross purposes. Most of the dissensions come to the fore because of feeble performance of cooperatives in different fields which may have far-reaching effect on their growth in the years to come.

politically sensitive

In this article, the role of leadership in the working of service cooperatives in one of the politically-sensitive districts (Cannanore) in Kerala is examined. The discussion which follows is based on a survey of 40 leaders selected on a random basis from the list of 168 leaders belonging to 16 service cooperative banks/societies in Nileswar block. They consisted of eight presidents and 32 directors of primaries. The period of survey was June-July 1975. The interview technique was followed in order to collect data on certain characteristics entrenched in leadership traits in the region under study. The objective of the study was to identify the socio-economic-political background of leaders and to examine its relevance in guiding the destiny of the cooperative performance in the region.

invisible forces

The analysis does not cling to the data sources alone. Many a revelation was made by individual leaders during informal discussions. These are added wherever necessary so as to highlight the invisible forces at work under the mask of the cooperative superstructure. It has to be kept in mind that the sample size being relatively small will not permit any positive or negative generalisations without possible limitations inherent in such an exercise. The major findings of the survey are reported below :

(a) *Socio-economic background* : Middle age group (31-45) was having an upper hand in the management of cooperatives, as 19 out of 40 (47.5 per cent) leaders were of this age group. The educational level of the leaders showed a series of climb down starting with primarians at the top (17) and collegians in the bottom of the ladder (5). The occuptional pattern of the leaders indicated that as high as 86.7 per cent of them considered farming as secondary occupation. The main occupations reported were service (12), trade (7) and skilled labour (7). Interlocking of leadership was also a common feature in the study region. Organisation at link-up extends to three or more institutions in respect of five leaders. Thirteen of the leaders were holding two offices at the time of this survey. In contravention of the restric
tion imposed in the Kerala Cooperativ
Societies Act (1969), eight leaders wer
in office for three or more consecutiv
terms on one pretext or the other
Further, 27 leaders continued in offic
for the second term.

Thus, we notice some sort of conti-
nuity in leadership positions or a sor
of vested interest at least in certai
pockets in the region. Fifty-five pe
cent of the leaders joined the coopera-
tive to avail of the loan facilities. Othe
replies were : to serve the people (16)
to organise the people (4) and persua-
sion from party circles (2). Interestingly
enough, five leaders could not assign
any reason for their membership o
cooperatives.

influence of caste

Furthermore, an important featur
disclosed by the data relates to th
declining tendency of caste as a power
ful social factor influencing leader
ship pattern in rural power-structure i
the region, thanks to political revivalis
which in a way has been responsib
for undermining the importance of th
traditional social force. Thirty-thre
out of 40 (85 per cent) of the leade
owned land less than three acres
each case. The average income lev
of the leaders per annum was Rs 197
This varied from Rs 1354 to Rs 30
between size groups.

The share of non-farm income
total income ranged from 74 per cent
those owning less than four acres a
43 per cent in respect of the so-cal
higher strata of the farming commun
(four acres and above). The ove
position was 63 per cent. Since the
efficient of variation of non-farm

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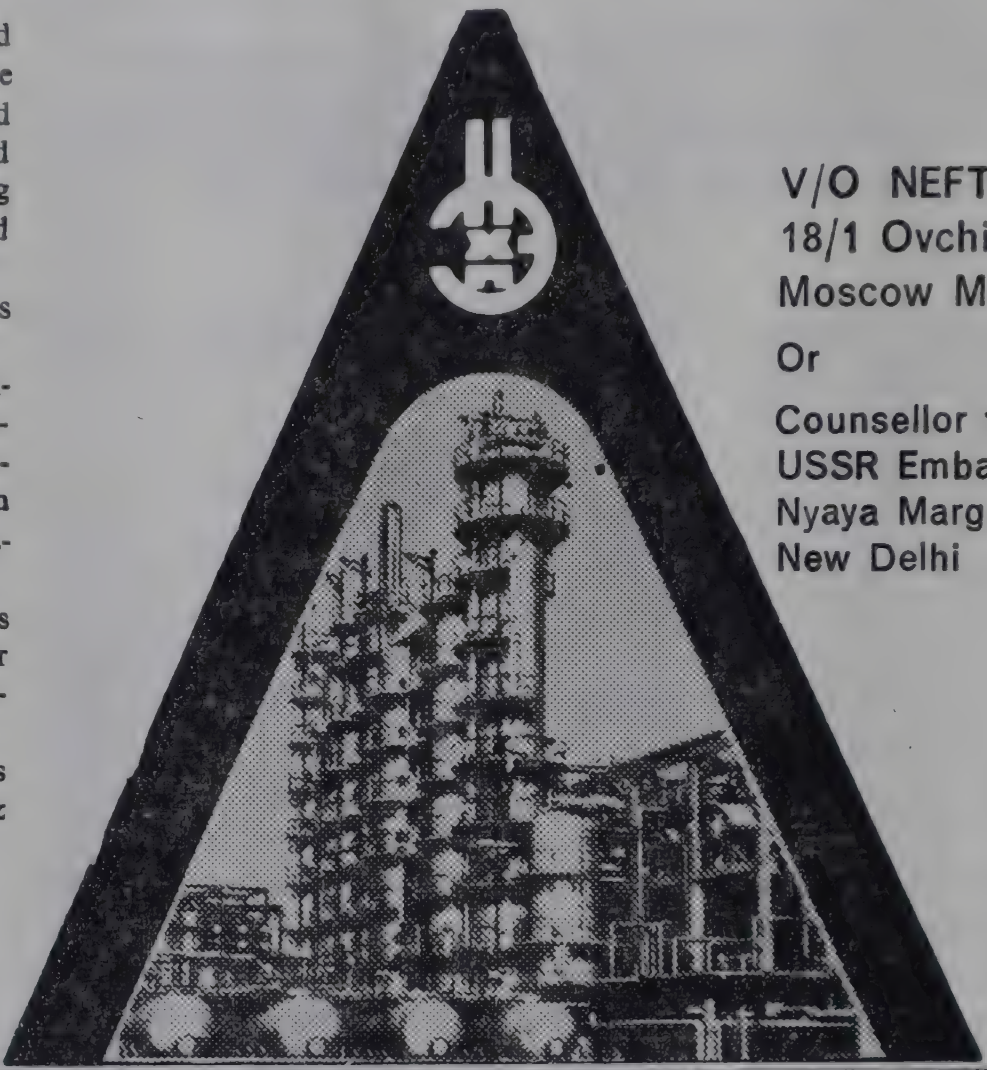

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come was less than farm income, non-farm income was more consistent.

(b) *Attitude :* A significant proportion (57.5 per cent) of the leaders opined that the cooperatives were closer to farmers, followed by such answers as profit is less pronounced in cooperatives (40 per cent), democratic control and management (27.5 per cent) and personal surety system in lending, working within the framework of bye-laws etc (10 per cent). On the whole, leaders were conscious of the distinct features of cooperatives. To the question, what for cooperatives are organised, the following replies were given : Provision of agricultural inputs (14), promotion of rural development (5), to inculcate democratic values in the minds of members, to eliminate exploitation by middlemen and distribution of consumer goods.

popularity with members

It is interesting to note that more than half (21) of the leaders felt that the performance of cooperatives was good for such reasons as satisfactory working, economic uplift of the villagers and low rate of interest on loans. However, the rest (19) were dissatisfied for such reasons as untimely loan, rigid policies pursued by the financing bank, official interference and mounting overdues. All but four leaders felt that cooperatives were popular with their members. The leaders who felt otherwise expressed poor image of cooperatives and cynical attitude of some persons for this state of affairs. All the leaders interviewed were of the view that cooperatives should earn profit.

However, nearly half of the leaders, (19) did not keep deposits with the primaries with which they were associated. Eight of them opined that they had no surplus money to deposit with cooperatives on account of economic backwardness. However, the rest (21) gave no reason whatsoever for not keeping deposits with cooperatives. A few of them (5) even admitted having deposits in commercial banks. Thus, there is reason to believe that a crisis of confidence pervades even among leaders regarding the efficacy of cooperatives in fulfilling their obligations to members. This become clear if we look into the responses of the leaders on the overall performance of the primaries.

unsatisfactory performance

A significant proportion (57.5 per cent) of the leaders was not satisfied with the way in which primaries functioned. Prominent reasons assigned were, non-viability (8) and official interference into the affairs of cooperatives (5). Absence of consumption loans, distribution of consumer goods, gold loan facility etc, also added dissatisfaction among the leaders. On the merit side (42.5 per cent), among the reasons cited, satisfactory working (7) and absence of malpractices (3) figured prominently. Even those who portrayed a positive picture hastened to add qualificatory expressions such as 'to some extent', 'in a way' etc.

(c) *Knowledge* : On the question of managerial control of the cooperatives, the responses were the following : Board of directors (27), President (5), Secretary (4) and government (4). A few leaders (4) also mentioned dual control adding either officials of the financing bank or government. Thirty-three out of 40 leaders had attended classes for office bearers of the primaries conducted by the cooperative education instructor. Twenty-five of them found it useful. The rest felt it otherwise. A similar trend was noticeable even in respect of those leaders (7) who did not attend such sessions. An overwhelming proportion (38) of the leaders reported that the secretaries of the primaries were cooperatively trained. However, four of them added that cooperative training need not become an essential condition to hold office of the secretary. According to them ability to perform the job, and not formal education, was of m
significance.

Further, two leaders were not e
aware of the educational status of
secretary of the primaries. Interestin
enough, 15 leaders were not even aw
of the audit category of the societi
Of the rest (25), only five were able
answer correctly. But none of th
succeeded in describing the major c
teria adopted by the departmen
auditors in this regard. Neverthele
most of them believed that gene
business performance was a ma
factor underlying such categorisatio
Even though this was a vague assum
tion, it did carry weightage to th
understanding on the question.

alleviating poverty

Cooperation as an instrument f
alleviating poverty has been acclaim
in the past. Twenty-two leaders f
that cooperatives assist the poor throu
loans and other services. Ten of the
qualified this with the term 'in a limit
sense'. Another eight leaders ga
negative responses due to reasons su
as official interference, land bas
lending system. etc. Some lead
argued that by asking the poor memb
to contribute towards share capit
cooperatives do not serve them w
when it is known that most of th
receive far less an amount than what
needed by them.

A very high proportion (31) of
leaders expressed the view that coope
tives can promote social and econo
well-being of its members thro
cheaper credit (2), promotion of
operative outlook (11), elimination
exploitation by intermediaries (9)
promotion of the habit of thrift
Reasons to think otherwise by a
tion (9) of the leaders were, absenc
comprehensive service (6) and ne
of the poor (3). A significant pro
tion (19) of the leaders felt that
dues in cooperatives were due to ec
mic backwardness of the mem
Failure of crops, inadequate or unti

assistance, wilful indifference were listed by an equal number (7) of leaders. Less pressure to repay (6) and political backing (3) were other causative factors. Three leaders could not specify any reason for non-payment of dues to cooperatives by members. One of the leaders put the matter thus. Seventy-five per cent of the defaulters were economically backward while the rest relished non-payment, not the least due to pecuniary difficulties as such.

To the question as to whom does the cooperative belong, as high as 34 (85 per cent) of the leaders responded on right lines. However, when multiple response was allowed, the following replies also emerged. Members (25), members+government (7), office bearers (3) members+office bearers (3), affluent farmers (2) and none (1). A closer look into the above replies brings forth a certain amount of confusion which prevails on the part of leaders over this issue.

poor awareness

This becomes pertinent when we look into replies such as "members+office bearers." Evidently these leaders were not able to identify themselves as members first and then office-bearers; hence this confusion. Awareness of the leaders regarding recent developments in the sphere of cooperation was rather poor. None of the leaders interviewed knew about the formation of the Farmers' Service Societies (FSS). When the researcher introduced this topic, there was mixed reaction among them. Roughly 50 per cent were in favour of FSS, and the rest were sceptic about the outcome of this new venture. They argued that the village base of the primaries will be lost sight of. A section of them felt that FSS will become still another weapon in the armoury of the financing bank.

d) Politics : Cooperation is synonymous with party politics in the district. This can be traced through the management of cooperatives as well. Party-wise break-up of leaders in cooperatives showed that CPI(M) took the lead as 17 of the leaders emerged from that party, followed by Congress (9), PSP (7), CPI (5) and Muslim League (2). Half the leaders felt that political patronage was essential at least during the election of the office bearers. Besides, 13 others also held that political lineage was 'helpful'. Only seven leaders gave negative replies. Cooperation is said to be democracy in action. All the leaders also felt this way.

party affiliation

Prime factors associated with leadership in cooperatives were ranked which demonstrated in clear terms that party affiliation (22) was one of the most influential factors which enabled leaders to become office bearers of the primaries. This was followed by personality (9), organising ability (8) and economic status (1). It is significant to note that none of the leaders ranked education in this category. Evidently. the first three factors mentioned above, interact among themselves to bestow upon leadership qualities even in subsequent ranks (2 & 3). The other factors become prominent only in the last two ranks (4 & 5).

Surprisingly, caste, the traditional factor was ignored by all the sample leaders. This was to be expected in the district which is known for political turmoil based on party ethos cutting across caste ranks. This simply shows that caste factor is latent in the region. Factions within the cooperative fold were not uncommon. Sixtyfive per cent of the leaders admitted this fact. Twenty of them attributed party politics as the single most important reason for this state of affairs. A few leaders (4) expressed apprehension in the democratic system of election of leaders. They argued that this process often deprived an institution the choice of finding leaders of the right calibre as elections are conducted on party lines with some men having ulterior motives.

e) Suggestions : A host of suggestions were put forward by the leaders for the better performance of the primaries. They broadly fall under three aspects. First, 50 per cent of the leaders expressed the view in favour of viable societies which will have wider coverage in membership and varied functions such as supply of farm credit, marketing of agricultural produce, distribution of consumer goods (8), good loan facility (5), etc., The second suggestion was mostly confined to ways and means to improve the meagre resources position of primaries. A plea for liberal government aid (12) and mobilisation of more deposits (9) were the prominent ones. Interestingly enough, few leaders (2) who were aggrieved over the attitude of the financing bank went a step further to suggest that the Reserve Bank should advance loans direct to the primaries. Last but not the least suggestion relates to the image of the cooperatives in general and public relation in particular. Chief among them were extension of period for short-term loans (8), end to political bossism (5), more powers to the committee (4), reduction in the rate of interest on loans (3), better building structure (3) and minimum official interference (2).

major conclusions

From the above discussion, a few major conclusions can be drawn. They stem from organisational and operational weakness of cooperatives. The villian of the piece here seems to be the quality of leadership. In a way, the democratic decentralisation enabled politicians to dominate the scene in the management of cooperatives. This gave scope to self-aggrandisement and vested interests under the garb of democratic management. However, it is difficult to decide whether the chord between politics and cooperation manifests itself to strengthen or weaken the organisational composure. A question may be asked : Do the politicians run after cooperative positions or are the cooperatives in search of politicians to champion their cause ? The present study reveals that it might be either way.

Non-viability of primaries continues to be the bane of the movement. The clamour for liberal loan policies has been widely supported by leaders. In this connection some of them went to the extent of blaming the Reserve Bank for gradually retreating from its avowed objective of cheaper credit to the rural poor. Closely connected with this view which had been widely prevalent among the leaders was to treat cooperatives as quasi-government institutions.

Instances were many wherein leaders have expressed apprehension and resentment regarding official interference into the working of cooperatives. The education of the leaders was not found to be of much help in evolving sound policies for the development of the cooperatives. On the other hand, wherever leaders with integrity and business outlook have come to the stage, performance of such primaries has been found to be superior. Furthermore, it may be noted here that proximity of cooperatives to the village community has been applaude by leaders at times as the distinctive feature of this institutional agency. This aspect should not be lost sight of while reorganising cooperatives in future.

A general criticism has been that of domination by affluent farmers or other vested interests at the helm of affairs. Vested interest in the realm of politics was found to be true in the region under study. But the rich farmer domination was very much on the decrease. This stands in sharp contrast to the much-exhorted criticism elsewhere. As a matter of fact, a few leaders argued that as the affluent farmers keep themselves aloof from the cooperative fold, deposit mobilisation efforts has not succeeded in the past.

An appalling situation that has been brought forth by this study relates to the frustration of the leaders (22) regarding the poor performance of the societies with which they were associated. Leaders in general felt that the management should have the final say with regard to the quantum of loans to be given to individual members. They resented the present policy of interference by officials of the financing bank in these matters. This, they argued, resulted i undue delay in the sanctioning c loans.

To sum up, the present study ha thrown up the following key issues Leadership in cooperatives was essentially political in character in th region. Spontaneity even in its rudimentary form was not to be found in its grip. The study further underscores the fact that emerging leadership in cooperatives has been neither cohesive in character nor responsive to the needs of the community. Conflicting interests of leaders and members have disrupted harmony in the operational style. Functional literacy programme has not been of much help in this direction.

As long as creeping political elements having divorced objective functioning compete with one another, the prospect of cooperatives to deliver the goods will indeed be bleak. Leaders detached from political passions and objectively placed are the need of the hour. There is an urgent need to foster a business culture among the participants of cooperatives for their sheer survival. Thus, what ought to be done is obvious, but what can be accomplished remains a question mark.

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WINDOW ON THE WORLD

Economic scene as viewed in W. Germany

Jossleyn Hennessy
London

This is the last article by the late Jossleyn Hennessy, our special correspondent in London. As reported earlier, he died on April 29, 1976.

I

EUROPEAN MONETARY POLICY

THE WEST German federal minister of Finance, Herr Apel, leads a dangerous life. Sometimes he feels, so he says, as if he has been kicked by a horse. and at others, in the words of his parliamentary colleague Herr Stucklen, he risks snakebites.

The reference to being kicked by a horse was a comment on the initially critical reception given by the general public to the reform of the tax system in 1975, while Herr Stucklen's little joke was a reaction to Herr Apel's optimistic statement that the European currency snake would continue to function well even after France had left it for the second time. Herr Stucklen's warning was not unjustified, even if the most recent upheavals in the snake's belly have been followed by comparative calm.

Cooperation in a European Monetary Union based on fixed parities, with limits as to possible exchange rate fluctuations, was evolved as the nucleus of a stable community which would gradually embrace all those countries willing to undertake to follow a given line in economic financial and monetary policy.

Experience so far, however suggests that in cases of doubt the joint obligation becomes a matter of free choice. The association within the snake—which to some extent is a minor Bretton Woods agreement—is therefore liable to fail for the same reasons as its more ambitious predecessor, namely because of member countries' continued failure to observe both written and unwritten rules designed to maintain or regain internal and external stability.

akin to a pub

Even the departure of one country from the Monetary Union for a limited period is a setback and at best represents a temporary revision of priorities at the expense of the goal of a harmonised economic policy. If, however it becomes the rule rather than the exception, for countries to quit and reenter the Union as they like, the association within the snake begins to look like a pub which one visits when in the mood for convivial refreshment. Given the second departure of France and the continuing absence of Italy and the United Kingdom, one can only wonder whether the snake should cast or retain its skin—by which I mean the initial framework for a monetary union—not preserved for exhibition in a museum where it can be studied by experts who then write learned treatises, but as a cloak under which those countries willing and desirous of stability may once again gather.

The protagonists of flexible exchange rates are jubilant and Professor Gutowski of the West German Council of Experts has logically pleaded for the abandonment of the currency on the grounds that it is obviously impossible to achieve a unified economic policy within the European Community at this point in time. Where events would than lead is not difficult to say.

Illuminating on the retreat to national points of view is the argument put forward by the three Benelux countries, (Belgium, Netherlands and Luxembourg) to justify the abandoning of the so-called "mini-snake". These three countries agreed to keep the exchange rates of their currencies within a narrower margin of 1.5 per cent compared with the "maxi-snake" where variations of up to 2.25 per cent are possible. Belgium, the Netherlands and Luxembourg hoped that this agreement would help them to work towards even greater stability.

declared aim

The discarding of the concept of the "snake within a snake" now serves the declared aim of providing the three countries with "greater scope in monetary policy". This can only be interpreted as meaning that the obligation to greater monetary stability is regarded as a tiresome bond that will at least have to be loosened. The next step towards total freedom in monetary policy is logically the departure from the big snake or free floating as already exercised by the other EEC members.

With an eye on this trend, the Monetary Committee of the European Parliament spoke with justified anxiety of the danger of a race to devalue. It was not, the committee pointed out, so much a question of whether one wished or not to retain the currency snake but rather of preventing a race between the countries of Europe to devalue their currencies, since we could otherwise be faced in the next few weeks with "more or less dramatic events".

A high official of the American ministry of Finance said in a press interview that, after consultation with other governments during the last period of trouble on the currency market, the United States had intervened in order to maintain order. In fact the central banks had not been as successful in maintaining order as they would have wished, but without the agreement of the central banks to cooperate that was reached in Jamaica things would have been even worse. It was important, the American spokesman said, to avoid a currency war, but in saying this he did not mean that he thought that the outbreak of such a war was already in sight.

a chronic tendency

The American regretted that, despite the general acceptance of floating, there still existed what he described to as a chronic tendency to "parvalue-itis". People gazed mermerised at the changes in parity in order to see who had again the advantage. The American was obviously referring to a statement by the French minister, Monsieur Fourcade, who justified the decision to let the French franc float again by the need to protect French foreign exchange reserves, and he uttered the reproach, which attracted a great deal of attention, namely that Italy and the United Kingdom had used the exchange rates of their currencies in order to increase exports and employment levels. This is certainly not true of the British government, which is trying desperately hard to fight inflation.

A falling exchange rate of course raises the prices of all imports and the UK is particularly dependent on imports of food as well as of key raw materials whose prices affect the costs of manufacturing UK exports and therefore can in some cases price them out of their overseas markets. Although the French reproach was promptly rejected by both the British and the Italians, the European monetary climate will remain thunderous for some time.

In Bonn both the government and the opposition agreed on emphasising the need to retain the European Monetary Union and to work for closer cooperation with other European currencies. Fortunately, however, from the West German viewpoint, this willingness to cooperate does not go so far as to cause West Germany to seek to reduce frictions in Europe by "adjusting" to the more rapid inflation rates in partner countries.

There are obviously ideas in Paris of combining the foreign exchange reserves of all the members of the Community and the wonderful suggestion of one member of the French Parliament that the franc and the D-mark should combine in a joint unit of currency is only another way of saying the same thing. Recourse to the much sought after Rheingold, in this case the gold and currency reserves of the Bundesbank, would indeed

Llyods Bank, Curzon Street Branch,
London WIX 8EU.

Dear.........

I regret to tell you that "Odysseus"* died on the evening of April 29, 1976, quite suddenly and that therefore the articles must come to an end. I don't know if you intend to reveal his name to the readers of the paper as Jossleyn Hennessy or not.

At any rate as his son, I would like to say that I know the writing of this column used to give him great satisfaction. I feel sure that if the best of them were searched out and collected together they would make an interesting monument to the work of the *Eastern Economist*, a record of the times, and a book with a sale, in India.

He knew India well and I find on his shelves a large collection of most unusual books on the high ways, and the least known tracks of Indian history over the past 200 years and longer. He came to India before World War II in government service to head a department of publicity and after a period of years in America during the war working for the Indian government, returned again to journalise and became Calcutta stock broker before eventually retiring to this country. His wife's family had connections with India going back into the previous century.

Unfortunately my own work does not bring me to India and with them the connection ends, indeed, it ends with you.

If ever you come to England and you wish to look me up I shall be delighted to meet you and meet the man who gave my father his longest employment amongst the other work he did.

Yours sincerely,

Sd/- Armyn Hennessy

P.S. : He died about 2 months after two serious hip operations; was making a good recovery when he suddenly died at a reception.

*Odysseus was the pseudonym used by Jossleyn Hennessy for many years.

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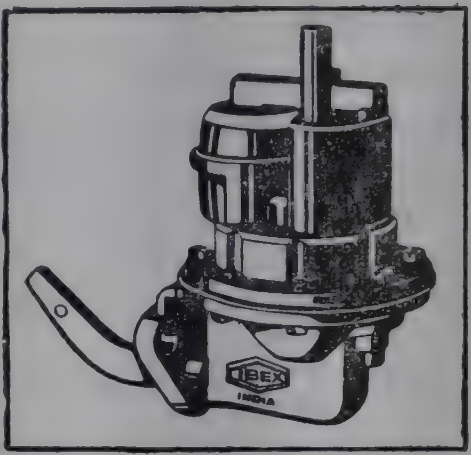

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make it possible to continue with an expansionary policy for some time and make a monetary war superfluous, but West Germans consider that the price is too high. and even a hardboiled German minister of Finance cannot simply sit back and let himself be bitten by a snake.

On the other hand, we should not forget the lessons learned in the early thirties when the idea that a country could gain an advantage in trade by manipulating its exchange rate proved to be a tragic error. The countries of Europe are faced with the choice between accepting the often difficult obligations of belonging to the European Community or of acting purely in their national interest—in which case, as the Committee of the European Parliament responsible for such matters put it, "dramatic developments" are likely to occur.

II

GROUNDS FOR OPTIMISM

Investment destroys jobs, because as a rule it not only has the effect of increasing capacity, but also of saving on manpower. At times when unemployment is high and industry is not working to full capacity, any investment incentive will not be in the interest of the work-force. It will just be a gift to employers. This type of policy tends to swell yet further the ranks of the Marxist philosophy's "industrial army reserve", or at least to maintain its numbers. Naive minds accept such arguments by itinerant political preachers just as freely as the doctrine that every crisis caused by insufficient demand can quickly be overcome merely by giving an adequate boost to general purchasing power, in other words by raising wages as required. And these preachers boldly maintain that there need be no fear of the internal economic repercussions of such an action if expansionist Keynesian monetary policy is practised on a worldwide scale! A vision which suggests that if Coleridge's Ancient Mariner were to resume his travels from land to land today, he would for "Water, water everywhere but not a drop to drink" substitute "Paper, paper everywhere but not a scrap that'll buy a thing".

insurance for future

"Investment—Insurance for the Future", the theme of a joint symposium in Bad Godesberg organised by the Verein Deutscher Maschinenbauanstalten (VDMA) (German Mechanical Engineering Association) and the Institute der Deutschen Wirtschaft (IW) (Institute of German Trade and Industry), was obviously aimed at these arguments. The guest speaker, Dr Brunner, who represents West Germany on the European Commission, sought to justify this theme by observing that in view of the acute problem of five million unemployed in the member states, "even unreasonable theories have to be looked into".

Although those taking part in the platform discussion represented a mixture from the public and private economic camps, they found that differences were minor by comparison with what they had in common—thanks to clever chairing of the discussion, and, perhaps somewhat to the amazement of many of the delegates. In the face of persistent questioning by an industrialist, the spokesman for the German Trades Unions' Economic Institute even went as for as to say that although his association had adopted no definite standpoint, there was a tendency to leave individual decisions to companies on the fundamental issue of investment planning. The union spokesman said nothing about the scope of the requirements to be fixsd by the government or about all the factors which are nowadays included under the comprehensive heading of structural policy.

Currently fashionable views prevailed —at least if numbers are anything to go by: there had not been enough investment in West Germany during the last five years There is a link between investment, employment and
growth. Under-employment is e
nomically, politically and socia
damaging and not to be tolerated
the long term. One million new jo
must be provided over the next fi
years. Investment in rationalisati
should not be taboo, even when
may reduce the number of jobs ava
able. On the other hand, obvious pr
blems and conflicts were kept in t
background and two fundamental que
tions left unanswered: do investme
incentives make sense even when the
is no need for expansion because d
mand is falling? Should priority
given to public or private investment

III

THE END OF THE GERMA "MIRACLE"?

Apparently the organisers wer
aware from the outset that platfor
discussions frequently suffer from th
occasional cramping endeavour t
issue joint statements at all costs an
to paper over fundamental points o
disagreement. To supplement th
platform speakers, the German Mecha
nical Engineering Association and th
Institute of German Trade and Indus
try let the facts speak for themselve
and these facts are so important tha
they cannot be repeated often enoug
Here they are:

I. Although during 1974 and] 197
all the chief industrialised natio
were in the grip of a definite recessio
in investment, West Germany was th
only major industrial state in whic
the trend in investment was consisten
ly weak or retrograde as far back
1971. Germany's share in the volun
of investment by all the OECD cou
tries dropped from 11.1 per cent
1970 to 9.5 per cent in 1975. If ca
tal growth has proceeded "normall
as in the period 1960 to 1970 (annu
average 5.7 per cent), a total of abo
DM 110,000 million more would h
been invested from 1971 to 1975. T
result is that the age structure
capital assets in German industry
deteriorated drastically. Whereas
1960 only just one third of plants

more than 11 years old, the proportion by 1974 was already 45 per cent, and has since risen to 50 per cent.

II. The drop in demand caused by stagnation in investment has resulted in the loss of about one million jobs in the capital goods industry and its suppliers.

III. The wages ratio — the proportion of the national income made up of gross income from employment — rose in Germany from 60.6 per cent in 1960 to 71.8 per cent in 1975. The cost of wages per manhour worked in manufacturing industry increased from 1.97 dollars in 1969 to over six dollars in 1975. Comparative figures for Germany's major competitors are as follows: France from $1.62 to $4.39. Italy from $1.53 to $4.15.

EEC commission member Brunner nevertheless encouraged German industrialists to invest more and referred to the Federal Republic's favourable development during 1975, when unit wage costs rose by "only" 6.5 per cent here, whereas they went up by 22 and 33 per cent in France and the United Kingdom respectively. However, to be valid, comparisons must cover longer periods of time if they are to illustrate changes in competitive ability.

cost pressures

IV. Cost pressures reduced the profit-sales ratio of public industrial companies from 3.25 per cent in 1968 to 1.52 per cent in 1974, and in fact in the German mechanical engineering industry it dropped to 1.2 per cent as against two per cent in France, 3.8 per cent in the United Kingdom and four per cent in the USA. Since 1971 the interest on outside capital in W. Germany has been considerably higher than that on companies' own funds, whereas under normal circumstances the yield on liable funds should include an extra 2 to 3 per cent to cover the risks involved.

V. As a result of this deterioration in earnings, the capital base of West German companies has shrunk significantly, from 36.7 per cent of the balancesheet total in 1968 to 28.9 per cent 1974. Compared with other countries — Japan alone excepted — the Federal Republic has the record in under-capitalization.

VI. The only international league headed by German companies is that of the tax burden on retained profits. Just about 61 per cent is eaten up in corporation taxes, as compared with about 52 per cent in the USA and the United Kingdom, around 50 per cent in France and Italy and 48 per cent in Belgium and the Netherlands.

political considerations

Statements of belief such as the West German Chancellor's "today's profits are tomorrow's capital expenditure and the day after tomorrow's jobs" are useless if they do not lead to modifications in tax policy — or at least adjustment of tax relief on depreciation to international standards. Neither spokesman for the federal Economics ministry nor the SPD parliamentary group have been willing or able to hold out any prospect of this. Admittedly economic realities must eventually prevail, but political considerations delay or hinder vital decisions. Anyway, there does not seem to be any tax relief in sight for German companies, although it is meant to be a consolation, the Berliner Handels und Frankfurter Bank sums up what it calls the "sad facts" as follows:

"Here in Germany we seem prepared to rely on those around being even more foolish than we are and on a continued rapid rate of inflation in those countries that are our trading partners. This is obviously the main source of official government confidence, but it is not helpful to companies which have to reckon with the exchange rate fluctuations inevitably associated with such expectations." The low rate of inflation in West Germany keeps the value of the DM up and enable foreign critics to claim that it is "over-valued" and foreign exporters to undersell German exporters.

May I remind you that when the SPD (Socialists) won the general election in 1969, they inherited from the previous Christian Democratic government what was then without question the strongest economy in Europe. The Six causes for woe outlined above have emerged in the course of the subsequent seven years of Socialist policies. It is, however, interesting to note that in the end economic ideologies give way before economic realities, as they are in the UK today. The economic policies that Mr Callaghan and Mr Healey are pursuing are, as their restless Left Wing insists, entirely contrary to the Labour party's Socialist election manifesto, and are in line with those advocated by leading non-political economists in the UK, the USA and West Germany.

public support

Public opinion polls steadily show that the majority of the electors support the Callaghan — Healy policies. In other words after so many years of Welfarism, the idea has sunk in that a country cannot divert ever increasing sums to charitable causes unless its industry and commerce are earning enough to be able *simultaneously* to earn more and more to keep the economy as a whole flourishing *and* allow it to indulge its compassionate instinct without continuously undermining the productive forces of the country — a process which inevitably leads to inflation and bankruptcy and may end in revolution.

I think that the Berliner Handels and Frankfurter Bank, whose latest *News Letter* I have summarised above, is too pessimistic, because recent public opinion polls in W. Germany all show a steady swing against Socialism, a trend supported by the defeat of a Socialist government and its replacement by Christian Democrats in the recent elections in the fedaral state of Lower Laxony.

Land reforms in Sri Lanka

Paul Harriso

Some 700 million people subsist on income of less than $ 75 a year in the rural areas of the developing world, locked in misery, hunger, unemployment. In many places, a first step to free these people from poverty would be to give them a piece of land where they can work and produce. Three years ago Sri Lanka launched an ambitious programme of land re-distribution affecting a quarter all its culivated land. Paul Harrison who visited the island recently, describes the impact of land reforms on employment opportunities.

MOST RURAL families in Sri Lanka know only too well what a scourge is unemployment and underemployment—probably the most crucial of the many problems a developing country like Sri Lanka faces. But it is only in the last few years that Sri Lanka has been able to make a real impact on the situation through its ambitious programme of land reform.

Between 15 and 20 per cent of the labour force in Sri Lanka is unemployed or underemployed, and that amounts to more than half a million people. Unemployment is not evenly distributed: it takes its heaviest toll among young people under 25. In this age group, as many as two out of five have no job, and, sadly, the more educated they are, in general, the more likely they are to be out of work. And things are not getting any better: around 250,000 job seekers flood onto the market every year from the schools. Neither the civil service nor industry can absorb them. Indeed, the number of jobs in manufacturing in Sri Lanka shrank from 124,000 in 1972 to 97,000 in 1974, because adverse trade balances affected resources necessary for development.

tragic waste

This represents a tragic waste of human potential and of production. But it also adds up to an ominous threat to Sri Lanka's political stability. For the unemployed youths are understandably disenchanted with the status quo, and attracted to extremist political movements, like the Janata Vimukti Peramuna which staged an armed rebellion in 1971. Solving the employment crisis is therefore a central political and developmental objective for Sri Lanka.

One of the prime causes of unemployment in Sri Lanka was always thought to be disdain for agricultural labour among the well educated youth; schooling, it was argued, produced aspirations which the jobs available just couldn't match. Urban jobs were attractive too because they generally paid better than rural ones. But in practice whenever rural work opportunities were provided for educated youths—in youth colonies and cooperatives—there were always plenty of applicants. They would rather have a humble job than none at all.

land shortage

But the real underlying employment problem was that the land in Sri Lanka just did not provide enough jobs for the island's population, booming at the rate of 2.2 per cent per year. That was true of the two main types of landholding: paddy lands, usually in smallholdings, and the larger estates growing mainly tea but also coconut and rubber.

A glance at the paddy lands in the central highlands shows just what the problem is. The irrigated fields and terraces are split up by low walls into a patchwork of thousands of minu parcels, each one with a different own And because a man's property is divid equally among his heirs, the plots a getting smaller. Most families in t paddy areas just do not have enou land to provide work for all th members.

But the big tea estates could not pr vide a reliable source of employme either. Since 1945, few of the compa estates have carried out the investme that was needed to create and susta more jobs for the increased populatio for example, replanting old tea bush with new high yield varieties, fertilizi and weeding, and providing adequa housing and health facilities for the workers. The result has been endem underemployment on the large estate about one in five of the labour for works short hours, and in some montl of the year there is hardly any wo for the men.

low per capita

Underemployment and unemployme mean low incomes too. Most of t rural families in Sri Lanka were spen ing almost the whole of their income o food. This, in turn, meant low dema for manufactured goods—and therefo fewer industrial jobs.

Land reform was one of the measu recommended by the ILO's Wo Employment Programme Mission 1971 to boost employment. In 19 the Sri Lanka government passed ambitious Land Reform Act which to over all private holdings above 25 ac of paddy land or 50 acres of other la Company estates exempted in 1972 w taken over in 1975. In all, just un a million acres are affected—a quar of all cultivated land.

The land reform has hardly affec the paddy lands. But in the es sector it is already having a big im on employment. The estates have almost all been kept intact as working concerns. The bigger ones are being run by the State Plantations Corporation. The rest have been taken over by local co-operative societies and new collective villages, under the aegis of the Land Reform Commission. The effect on employment has been significant. For, where the old owners often took their profits while the going was good, the land reform estates plough back a lot of their profits into new investment.

Puwokgahena estate, for example, was 400 acres of neglected wilderness before it was taken-over by a cooperative society. The roads were barely passable and the tea bushes were unpruned and overgrown by weeds. The estate was employing only 30 workers, and only for three or four days in the week. Now there is enough work for 400 people working seven days a week. Some of their time goes into improving housing and laying on facilities such canteens, nurseries and community halls.

Or take Walahanduwa estate, one of the new collective villages: 1,850 acres of tea, rubber and paddy. The profits at the end of the first year of operation are expected to be about 1.25 million dollars. Half of this will go to the Land Reform Commission to help start up new collectives; a quarter will go to the local village to help with schools and health facilities; and the rest will be distributed among the 1,100 workers. This profit will almost double their incomes, and make rural work far more attractive in comparison with urban work. It will also enable them to buy more manufactured goods which will, in turn, create more jobs in industry.

These two estates are outstanding examples: but the overall effect of land reform has been the same. More is being invested, more work is available on the land. Income is more equally distributed between town and country—and an end is promised to the most glaring and grinding rural poverty.

Holding on to the advantage

E. B. Brook

Vienna

The outcome of dialogue between the developing countries and the industrially developed countries will have fundamental consequences for industry everywhere.

BY THE time this article is printed, two economic events of great consequence to all countries will have concluded; the meeting between the industrially developing world and the most highly industrialised states at the UNCTAD session in Nairobi and the OPEC meet in Bali. Whatever their outcome, the decisions taken will have fundamental consequences for industry everywhere for, whether of the solid or liquid type, they will have been concerned with the essential raw materials of energy and manufacture.

To some extent, also, both occasions will have been confrontations. The industrially developing countries seeking a greater and fairer share in world commerce inevitably challenge the relatively easy profits made by producers of raw materials nearer the manufacturers or the lingering exclusiveness of the manufacturers' markets. To some extent, through the medium of GATT, Geneva discussions such as the Kennedy Round and UNCTAD council meetings and some commonwealth negotiations, manufactures from newly industrialised states have, on the whole, fared better than countries whose incomes depend on exports of raw materials. The latter have all too often been obliged to compete in a buyers' market and to sell at prices ridiculously below their value to the industries depending on them. The only trump card in the raw materials producers' hands is the essentiality of their material to industries, mostly in foreign countries and other continents. The strong disinclination, if not outright unwillingness, of the fully industrialised states to support any variation of the idea of building buffer-stocks and of allowing to be held until fairer prices were available in the markets has illustrated in Geneva and Nairobi all to clearly the intention of manufacturers in America and Europe to hold to their advantage as long as possible.

The element of confrontation at the OPEC session in Indonesia's luxuriant island of Bali is, by contrast, a more equal struggle between the ground owners of oil and the industries which need that oil out of the ground and refined in order to move their machines and transport. Industry, in contrast to agriculture and mining, is essentially mobile. The threat of machines laid still and of transport made motionless by want of fuel is a nightmare to industry which has driven it and its civil governments to force forward research into and use of nuclear power.

The oil states, knowing they are in a race with the development of nuclear energy as the main propellant of industry and with the increasing use of natural gas are intent on extracting as great a profit from their shrinking asset as possible while the running is still in their favour. Compared with the industrially developing states' challenge, the oil states are short-term contenders. Their great asset is the high percentage of the world's oil within the area of the oil-and-developing states.

The western industrialised countries have only 10 per cent of that oil, the socialist states have much more but only 16 per cent at that; the oil and developing countries have a massive 74 per cent of oil resources. Their greatest ally against being eventually replaced as sources of energy by nuclear power is the growing public anxiety about the risks involved in use of the latter and about disposal of its waste. Currently there is a scare that the oceans are being slowly poisoned by nuclear waste sunk into their depths in thick concrete and steel drums.

towards recovery

While the western industrial world waits to learn the results from Nairobi and Bali it is slowly but certainly recovering its manufacturing and trading strength from the sharp recession of 1974. The economic experts of the Organisation for Economic Cooperation and Development (OECD) based in Paris will be telling their 24 member nations that all main economic indicators are moving upwards. At home in the USA the market has developed also an upward thrust. For nearly a year the USA's economy has shown signs of recovery.

In Europe, also, interest rates are being lowered both for deposits and credits as the banks become aswim with cash. Credits are being offered as never before and governments are beginning to drain off surplus cash again with bond offers. Mr Burns, chairman of the US Federal Reserve, expressed the sentiment for west Europe as well as for the USA when he recently remarked that recovery has been running for a full year and that they looked ahead to another full year of expansion. The OECD economists, in fact, think it necessary for governments to moderate the recovery in order to avoid an inflationary boom-and-bust phenomenon and to ensure instead a sustained recovery. At the moment there is, in most places, growth in output, international trade and in the labour market—even though unemployments remain at quite unacceptably high levels in all the most industrialised states. It is the little EFTA countries—with the exception of their affiliate, Finland—that enjoy minimal unemployment while the European Community states moan of million-or millions—high levels.

While the industrialised west recovers from the worst effects of recession and can afford to regard both Nairobi and Bali as events but not as possible disasters the non-oil-producing industrially developing countries are in an improved current account position. According to OECD, their $ 27 billion deficit recorded in 1975 will have been substantially reduced. Their prediction of an increase by six per cent in the OECD area's imports this year can also give some cheer to other parts of the world.

guest workers

The section of the world's economy that is not recovering from the industrial setback four years ago is that of imported labour—the "guest workers" as they are deceptively known in central Europe. According to UNO studies more than 1.3 million of them have gone home: the ILO puts the figure as high as two millions with a forecast that another half million will have gone by the year 2000. Those who have gone will certainly not come back and the countries to which they have returned have little work to offer them. They are the flotsam of industrial fortune. At the same time, millions of these foreign workers remain throughout western, central and in much of northern Europe for the most part modestly prosperous but essentially alien to their surroundings.

Since the rest of this year will be given over to elections in Italy next month, in W. Germany immediately after the summer holidays, next October and in the USA in November—the ordinary run of affairs becomes increasingly overlaid with party politics and the comicalities of campaigns. They do not obscure the fact, however, that, as they mutually recover from the effects of high oil prices, the two segments of the western industrial world—the USA and the European Community based on Brussels—are moving away from one another in trade policies. The Community has recently rejected the US suggestions to limit Community-made speciality steel export to the United States under an orderly marketing agreement.

community fears

The Community fears, as do many others, that the United States is moving in the direction of protectionism. The official tune in Washington is the virtue of free trade. But below that melody are undertones warning others against what the USA considers their unfair trade practices. In special steel the US complains that Community exporters increased their supplies to the US markets in 1975 at a time when the US industry suffered a 45 per cent production cutback with unemployment in the industry running at 25 per cent. There is risk that, in an election year, the easy appeal of a protectionits policy may make headway.

It remains to be seen if the Americans will protect their jobs and earnings in the special steel trade in face of the European Community's refusal to limit exports to the USA. Since its Trade Act of 1974 came into force, the USA has imposed countervailing duties against foreign products "dumped" in their markets in only six cases—against a total of 112 complaints. The record is good but high quality steel is so vital an industry that it could start a tariff affray across the Atlantic.

"LIONS DO NOT COMPROMISE! NOR DO WE"

USE

"THREE LIONS" BRAND

SODA ASH &
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SAURASHTRA CHEMICALS

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TRADE WINDS

Aid India Consortium

The Aid-India Consortium has pledged a sum of $1,700 million as aid and grants to India for 1976-77. Of the total, $1,00 million will be provided by donor countries in bilateral aid. The World Bank will extend the remaining $700 million. The amount includes about $160 million as debt relief.

The consortium consists of 13 donor countries and six World Bank Institutions. While the United States has not made any new pledge, it had already signed an agreement with India under PL-480 for $83 million and there is another proposal for $61 million. It is not clear when the second proposal will come through. The US has also not made any commitment on debt relief. Bilateral pledges made for 1976-77 almost equal the amount pledged last year, but the World Bank contribution this year would be almost $200 million less — from $900 million last year to $700 million.

Though no figures of commitment of individual donors were officially given, Britain is understood to have increased its contribution as also a number of other countries. There were indications of a long term commitment made by the Scandinavian countries. According to authoritative sources, several donor countries have also announced softening of their terms. Among them is West Germany which has accepted the International Development Agency terms under which repayment is to be made in 50 years inclusive of a 10-years grace period. Japan too has increased its contribution marginally with the provision of debt rescheduling. Japan has also improved its terms of credit.

HSL Restructured

The three integrated steel plants at Bhilai, Rourkela and Durgapur will be formed into independent companies with their own board of management. They will be fully owned subsidiaries of the Steel Authority of India.

Announcing the long awaited structural changes in Hindustan Steel Limited in Parliament on May 25, Mr Chandrajit Yadav, minister for Steel, said that the alloy steel plant at Durgapur — another major operating unit under HSL control — would also be formed into an independent company with its own board of management, as a fully-owned SAIL subsidiary. Mr Yadav said that Durgapur steel plant would continue as the residual HSL. The Rourkela steel plant would include the fertiliser plant at Rourkela.

The following are other major structural changes:

The coal washeries at Dugda, Bhojudih and Patherdih (which supply prime washed coal to the steel plants) will be transferred to the Bharat Coking Coal Limited. The management of these washeries is already with BCCL since April 1, last year.

Close Coordination

Internal and international sales and marketing will be handled by one company in order to ensure close coordination between domestic marketing and export planning. Accordingly, internal sales will be taken over by SAIL international Ltd.

The HSL liaison office in London will be transferred to SAIL International Ltd.

The management training institute and also the research and development organisation of HSL will be transferred to SAIL.

Mr Yadav said "necessary action is being taken to set up the new companies and to transfer the assets and liabilities of various units on the basis of audited accounts and in accordance with the provisions of the Companies Act and other relevant enactments." Pending completion of legal formalities, the work o internal sales had bee transferred to SAIL International Ltd with immediate effect. Similar actio was being taken in respec of the transfer of the management training institute and R and D to SAIL.

The Steel Authority, he said, "will continue to co-ordinate the activities of the new companies and units, to determine their economic and financial objectives and targets and to review, control, guide and direct their performance with a view to securing optimal utilisation of all resources at their disposal."

Announcing the changes, the minister noted that there was at present "a certain amount of avoidable overlapping and duplication of work between SAIL and HSL." This was not in the interest of efficient functioning of large enterprises on sound business and commercial lines.

Stamp Duty Raised

The rates of stamp duty on certain instruments falling in List I of the seventh Schedule of the Constitution have been increased from June 1, 1976.

The stamp duty on letters of credit has been increased from 15 paise to Re 1, on proxy from 15 paise to 30 paise, on receipts from 10 paise to 20 paise and on transfer of shares it would be 50 paise for every 100 rupees or part there of against 25 paise as at present.

In the case of bills o exchange and promissory notes, the stamp duty has been raised to one-half of the rates specified in the first schedule to the Indian Stamp Act, 1899. Earlier it had been reduced to one-fifth of the rates in that schedule.

Usance bills of exchange or promissory notes drawn for securing finance from the Reserve Bank of India, Industrial Finance Corporation of India, Industrial Development Bank of India, state financial corporations, commercial banks and cooperative banks for bonafide commercial or trade transactions, seasonal agricultural operations or marketing of crops or production and marketing activities of cottage and small scale industries shall, however, continue to bear stamp duty at the existing rates-one-fifth of the rates specified against these items in Article 13 of the first Schedule to the Indian stamp Act, 1899.

TV Licence Fee Raised

The television licence fee was raised to Rs 50 from Rs 30 a year from June 1. The licence fee for each quarter has accordingly been revised.

Workers Sector

The Cabinet Committee set up to draw up a scheme to create a workers sector in economy held its first meeting on May 26 under the chairmanship of the Finance minister, Mr C. Subramaniam. The committee set up a Task Force to draw up a blue-print for the workers sector. Once this is complete, it will be discussed with trade union leaders.

The government's intention to create a new sector in which share-holding would be by workers representatives was first announced by the Finance minister in Parliament while replying to the debate on the Finance Bill. The intention is that the scheme of share-holding by workers will be introduced in both public and private companies. The objectives are to fulfil workers needs and aspirations and impart dignity to the working class. This will also enable workers to hold shares in companies with which their future is tied up and will result in greater production and productivity.

The idea behind the scheme is that share-holding by workers is necessary if their participation in the management is to be meaningful. Care will be taken to ensure that representatives sponsored by recognised unions as workers' director are actual workers employed in the undertaking.

Besides Mr C. Subramaniam, the members of the Cabinet Committee are Mr H.R. Gokhale, minister of Law, Mr T.A. Pai, minister of Industry and Civil Supplies, Mr K.V. Raghunatha Reddy, minister of Labour and Mr V.N. Gadgil, minister for Defence Production. Besides these, those who attended the meeting included Mr P.N. Haksar, Deputy Chairman, Planning Commission, Mr Pranab Mukherjee, minister of

IT IS TIME
TO STEP OUT
IN
LIGHT WEIGHT

DIGJAM
TJ SUMMER SUITINGS

SHREE DIGVIJAYA WOOLLEN MILLS LTD.
JAMNAGAR

Revenue and Banking, and Mr K.C. Pant, minister for Energy.

Avoidance of Double Taxation

India and the United States have reached mutual understanding on most of the articles comprising a comprehensive convention for avoidance of double taxation of income and prevention of fiscal evasion of taxes on income.

Pending finalisation of the convention, agreement was reached on the avoidance of double taxation in respect of profits derived by enterprises of India and the US from operation of aircraft in international traffic.

OPEC not to Raise Price

The Organisation of Petroleum Exporting Countries (OPEC) have decided to leave prices unchanged because they could not reach unanimity.

This is the first time since OPEC raised prices fivefold at the end of 1973 that its 13 members have failed to find a compromise on prices.

Licence for Roller Flour Mills

The ministry of Industry and Civil Supplies have clarified that the roller flour milling industry continues to be subject to industrial licensing, irrespective of the level of investment in fixed assets. All entrepreneurs who are covered by the Industries (Development & Regulation) Act, 1951, must necessarily obtain an industrial licence under the Act before setting up roller flour milling units.

It is further clarified that the government is not at present encouraging the setting up of fresh capacities or expansion of existing units in the roller flour milling industry, since a large capacity is still lying unutilised.

Development of Backward Areas

A sum of Rs 1,489 million has been provided as central assistance for hill area sub-plans, tribal sub-plans tribal development agency projects, hill area development projects, drought prone areas programme, small farmers development agencies/marginal farmers & agricultural labourers and scheme of central subsidy during 1976-77. Of this, Rs 360 million is for hill area sub-plans as against Rs 200 million for 1975-76. These sub-plans cover two districts of Assam, one in Tamil Nadu, six of Uttar Pradesh and one in West Bengal. A sum of Rs 400 million has been provided for tribal sub-plans for areas having high concentration of tribal population in 16 states and two union territories. Another Rs 24 million has been provided for eight pilot project one each in Andhra Pradesh and Bihar, two in Madhya Pradesh and four in Orissa for tribal development agency projects. Further Rupees five million has been provided for two hill area development projects, one each in Pauri Garhwal (UP) and Manipur.

Besides Rs 340 million has been provided for drought-prone areas programme as against Rs 250 million in the previous year. These programme cover 54 full districts and contiguons areas in 18 districts in 13 states. This apart an amount of Rs 260 million has been provided for 155 districts under small farmers development agencies/marginal farmers and agricultural labour programmes.

Guidelines for Industries–1976-77

The salient features of this publication are that it contains all the announcements made by government in regard to liberalisation of investment procedures for stimulating production in pursuance of the 20-point economic programme announed by the prime minister. An attempt has also been made to improve the coverage of the industries in this publication. The guidelines clearly indicate that there is scope for capacity accretion and 93 such industries have been listed. In addition, a number of industries have been identified where the existing entrepreneurs can diversify their production. Moreover, industries which have a promising export potential have also been highlighted.

The industries which offer no scope for fresh licensing or registration with technical authorities have also been indicated in the Guidelines after taking into account the capacity already created, the future demand, etc.

In Brief

Tourist arrivals in April, 1976 registered an increase of 14 per cent over the same month of last year. A total of 36,747 foreign tourists arrived in the country

BHARAT COMMERCE AND INDUSTRIES LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirtieth Annual General Meeting of Bharat Commerce and Industries Limited, will be held at Hotel Imperial, Janpath, New Delhi-110001, on Friday the 9th July, 1976 at 11-30 a.m. for approval, inter-alia, of the Audited Accounts of the Company for the year ended 31st December, 1975. Directors' Report and declaration of dividend. The detailed Agenda for the meeting together with necessary Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is being forwarded to the respective shareholders.

By Order of the Board
V.N. Poddar
Secretary

Registered & Head Office:
Surya Kiran, 5th Floor,
19, Kasturba Gandhi Marg,
New Delhi-110001
Dated 29th April, 1976.

BHARAT COMMERCE AND INDUSTRIES LIMITED
NOTICE

NOTICE is hereby given pursuant to Section 154 of the Companies Act 1956, that the Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, the 22nd June, 1976 to Friday, th 9th July 1976, both days inclusive. The dividend when declared, i the Annual General Meetin scheduled to be held on 9th Jul 1976, shall be payable to thos shareholders or their Mandatee whose name will appear in th Company's Register of Member as on 9th July, 1976.

By Order of the Boar
V.N. Poddar,
Secretary.

Registered & Head Office:
Surya Kiran, 5th Floor,
19, Kasturba Gandhi Marg.
New Delhi-110001.
Dated, 29th April 1976.

during the month as against 32,263 in April, 1975. Tourist arrivals during January-April, 1976 totalled 170,790 as against 155,640 tourists in the corresponding period of 1975 marking an improvement of 9.7 per cent.

The first non-reversing 'Colf Rolling Mill (Dia. 355x400 MM)' has been manufactured for the government of India Mint by the Heavy Machine Building Plant of the Heavy Engineering Corporation, Ranchi. This mill is meant for rolling cupro-nickel and aluminium-magnesium alloy sheets to be used for minting coins at the Bombay Mint.

A marine research vessel for common use of various scientific and research organisations in the country involved in marine surveys and research is proposed to be acquired. A Committee headed by the Director, Naval Designs, constituted to draw up the parameters for the research vessels has already submitted its preliminary report.

Beach Development

The Tamil Nadu government is considering proposals to develop the beaches of Rameshwaram to make it a beach oriented holiday resort. If it is fully developed, it will become one of the major beach resorts in the world and attract tourist traffic because of its proximity to Sri Lanka.

Tobacco waste has been identified as a potential source of nicotine sulphate for use in insecticides and in pharmaceutical industry. The National Chemical Laboratory, Poona has evolved and patented a process for the manufacture of nicotine sulphate from this waste.

Supersonic Service

Concorde began scheduled supersonic services to the United States on May 24. Two Concordes, one British Airways and the second Air France, crossed to North Atlantic at speeds reaching 1350 MPH to complete the first commercial Concorde link between Europe and North America.

Commercial production of crude from two wells in the Bombay High began on May 21 and the first lot is expected to reach the Bharat Refineries in Bombay around the middle of June.

Sweden would provide Rs 47.61 crores as aid to India for 1976-77 under an agreement signed between the two countries.

The Bank of England raised its minimum lending rate by one per cent to 11.5 per cent on May 21 after a further sharp decline by the £ sterling on world money markets.

Bharat Coking Coal Ltd, a subsidiary of Coal India Ltd, a government of India undertaking, is setting up a plant at Dhanbad which will produce 100 tonnes of smokeless coal a day. It will be marketed on a trial basis in polythene bags by December in Delhi, Madras and Chandigarh.

Names in the News

Mr. Z.V.K.M. Suryarau

At the meeting held on May 21, 1976 the Board of Directors of Coromandel Fertilisers Limited appointed **Mr Z.V.K.M. Suryarau** as Deputy Managing Director, subject to the necessary approval from the government. Besides he will also be a Director of the company in the place of Mr A.W. Horton.

Mr Suryarau joined Coromandel in 1965 and has been connected with the marketing of complex fertilisers.

The Governing Body of the Asian Productivity Organisation at its 18th meeting held in Manila, on May, 17, 1976, elected the Indian representative, **Mr. K. T. Chandy,** as Chairman of the APO. Mr Chandy is also the Chairman of the National Productivity Council of India.

The President has appointed **Prof. S. Chakravarty** as member of the Planning Commission for a further term of five years with effect from June 7, 1976. His present five-year term expires on June 6, 1976.

Correction

TABLE III on page 546 of our issue dated March 26, 1976 should read as follows:

Cumulative Result of Income-Tax Relief and the Proposed Compulsory Deposit

Income (Rs)	Income-Tax Relief	Additional CDS Payable	Net incearsed (+) in Cash in Hand
8,000	Nil	Nil	Nil
15,000	+154	Nil	+154
20,000	+264	Nil	+264
25,000	+539	Nil	+539
30,000	+1089	—200	+889
50,000	+3289	—1000	+2289
70,000	+5489	—1800	+3689
90,000	+8789	—2600	+6189
1,00,000	+10,439	—3000	+7439
2,00,000	+21,439	—7000	+14,439
2,50,000	+26,939	—9,000	+17,939
3,00,000	+32,439	—11,000	+21,439
5,00,000	+54,439	—19,000	+35,439
10,00,000	+1,09,439	—39,000	+70,439

COMPANY AFFAIRS

Coromandel Fertilisers Ltd.

"THE STRONG measures taken by the government leading to the new economic discipline, have been instrumental in curbing the inflation," said Dr Bharat Ram, Chairman Coromandel Fertilisers Ltd at the 14th annual general meeting of the company. He lauded the governmental efforts, and called for a proper focus on 'Profitable Agriculture', in order to achieve sustained yields and free the country of the food imports.

In spite of difficult conditions prevailing in the fertiliser industry, the company was able to give a creditable performance in its working results. The chairman stressed the need of a climate conducive to larger investment leading to greater production, which will be a great help in generating momentum, the economy needs to grow fast and ecome self-propelling.

Monetary Policy

The tight money policy adopted by the government to curb inflation, according to the chairman, has not been able to achieve its end, which is, the increased supply of goods, and only an increased availability of goods can provide a long term solution to inflation rather than containment of demand.

Speaking on the 20-point economic programme, the chairman had a word of praise for the architects of policy during the last 18 months. The bold action, sometimes even with unpopular means, led to a new economic discipline, which had done a lot of good to the economy.

Correcting Deterrents

Due recognition to the need for correcting or removing many of the deterrents presently impeding investments, were praised by the chairman, while commenting on the 1976 budget he said "Only a buoyant agriculture will serve the nation as it releasesmore purchasing power in the hands of vast rural poor,leading a swell of effective demand and right focus towards a profitable agriculture, making country free from food imports."

The government of India has approved the companies proposal to manufacture Aluminium Fluoride, a product of considerable importance to the industrial economy of the country. The company is also hopeful of getting an early approval from the government for the manufacture of argon gas and recovery of ammonia.

Commenting on the prospects of the fertilisers industry, the chairman was pleased at the uniformly good production performance of the public as well as private sector plants, that has made possible the achievement of a target of 1.5 million tonnes of nitrogenous fertilisers, set by the government of India for the year 1975-76. In the end the chairman emphasised the need of increasing consumption of the fertilisers, and in this context praised the recent decision of the government to subsidise the prices of fertiliser to the farmer. Concluding his speech the chairman, pleaded for wider participation by one and all, at every level, and in every segment of our national life, to help the containment of unplanned population growth.

Sandoz (India)

The directors of Sandoz (India) Ltd have reported excellent results for the year ended December 1975. The gross sales of the company showed a rise of 20 per cent from Rs 195.9 million in 1974 to Rs 234.7 million. Profit before tax rose from Rs 19.3 million to Rs 25.1 million, a rise of 30 per cent over the preceding year. The directors of the company have recommended a dividend of Rs 1.20 per share (12%) subject to the deduction of tax at the appropriate rates. After making a provision of Rs 2.25 million for profit and loss account the directors have transferred Rs 4,684,659 to the reserves.

In spite of difficulties in the agricultural sector, the company was able to increase its turnover by 20 per cent and profit after tax by 27 per cent. Whereas turnover in the dyes division of the company remained stagnant, the pharmaceutical division showed satisfactory increase in its turnover. Price increases granted by the government earlier in the year helped to reduce the adverse impact of the rising costs experienced by the company during 1973 and 1974.

New Drug

Another achievement during the year was the introduction of a new drug called 'Brinerdin', which is used in the treatment of hypertension. The company hopes to introduce in the market some more drugs this year.

On the export front, the company was able to maintain its record. An order of Rs 15.5 million from the USSR was completed in a record time. Moreover company has been able to secure another big order worth Rs 25.5 million from the USSR for the year 1976.

With the stabilisation of prices in the cotton textiles and finished leather industry, the company hopes to increase its turnover and show better results for this year.

Dunlop India Limited

Dunlop India Limited has announced that it has now received the final approval of the authorities concerned for issue of bonus shares in the ratio of one new share for every three shares held. The company intends to complete allotment of these shares before the annual general meeting which will be held on June 25, 1976.

At a board meeting of the comnany held on May 21, 1976, the directors recommended the declaration of a dividend on the ordinary share capital, after the proposed issue of bonus shares, at the rate of Rs 2 per share subject to tax, payable to those members whose names appear on the Register of the Company on June 25, 1976. Out of this, 70 paise per share is proposed to be paid on or after July 5, 1976. The second instalment for 65 paise per share with interest at the rate of eight per cent per annum will also be paid on the same day. The balance is proposed to be paid with interest at eight per cent per annum on July 5, 1977.

Higher Income

Total income for the year was Rs 167.44 crores which was 14 per cent higher than the previous year due to a slightly higher volume of production, changes in the product sales mix and the full year impact of revisions to selling prices made early in 1974. Profit before tax for the year amounted to Rs 8.51 crores.

Total preference and ordinary dividends for the year amounted to Rs 2.98 crores. The directors have transferred Rs 1.5 crores to general reserve.

Adarsh Chemicals

Adarsh Chemicals & Fertilizers Limited has sufferd a setback in its working results for the year ended December 31, 1975, with turnover lower by 28 per cent from Rs 308 lakhs to Rs 220 lakhs. The pre-tax profit for the year was lower by 54 per cent, from Rs 43.02 lakhs to Rs 20.07 lakhs, and the net profit for the year was lower by 32 per cent, from Rs 13.60 lakhs to Rs 9.27 lakhs.

The company's production during the year registered a declining trend owing to a number of adverse factors like massive import of phosphatic fertilizers by the government in excess of the actual requirements, high cost of superphosphate to the consumers, and acute drought conditions in Gujarat. The directors of the company are, however. happy to report that the physical production targets for the year under report should be construed as satisfactory in view of the heavy odds the company had to face during the year.

The directors have recommended a dividend of 9.8 per cent on 25,000 cumulative preference shares of Rs 100 each in proportion to the amount paid up and the period for which it was so paid up. The directors have decided to skip the dividend on equity shares of the company in view of the inadequate disposable profits and with a view to finance the increase in the project cost of its Maleic Anhydride project from the internal generation of resources as far as practicable.

The company's Maleic Anhydride Project has made good progress during the year under review. Almost the entire imported machinery and a major portion of the indigenous machinery have already reached its site, and the machinery arrived at the site has been erected. The directors expect that barring unforeseen circumstances, the trial runs of the Maleic Anhydride project would commence in August/September, 1976, and commercial production from the last quarter of 1976.

External Loans

The company has entered into agreements with The Industrial Credit And Investment Corporation of India Limited for two additional foreign currency loans of US $85.000 to meet the currency fluctuations in the import of machinery.

The directors foresee that the performance of the company during the current year would be better than the previous year as a result of the excise relief granted to the Superphosphate industry, cash subsidy introduced recentl and rephasing of import o phosphatic fertilizers by the government.

British Airways

British Airways ended financial year 1975-76 by carrying a record number o 900,000 passengers and together with cargo earned revenue of £ 180 million from their net-work. Eastern routes, for the first time earned more revenues than the "Blue Riband" of the British Airways—North Atlanting route. The company increased its share in the passenger traffic, by about six per cent, on the UK-Australia route. An appreciable increase in passenger traffic was witnessed on the London-Iran, Saudi Arabia and Gulf passenger route.

In 1975-76, Eastern routes earned a record cargo revenue of about £30 million. West bound cargo showed improvement during last summer, with a rise of 68 per cent in the tonnage from Tokyo and 56 per cent in tonnage from Hong Kong.

Tiger Locks

The working results of Tiger Locks Ltd for the year ended September 30, 1975 show a deterioration in performance. As against a profit of Rs 86,555 in 1973-74, the company recorded a loss of Rs 3,06,011 in the year under reference. There was a marked increase in selling and distribution costs, not to speak of increase recorded under other heads o expenditure such as manuacturing, personnel and dministration. Even the ost of advertising and ublicity jumped from Rs 1.19 lakhs in 1973-74 to Rs 4.16 lakhs in the year under report. No wonder that the board of directors in a recent meeting decided to pass over the dividend which will come as a disappointment to many shareholders.

Molins India

Despite under-utilisation of machine hours leading to a lower production, Molins India, maintained the same level of profits as in the preceding year. This was despite the fact that there was an increase in the volume of sales by about Rs 24 lakhs. The decline of Rs 47 lakhs in domestic sales was more than made up by a sharp rise in export earnings to the extent of Rs 72 lakhs. Whereas company spent about Rs 18 lakhs in foreign exchange on imports of raw material and remittances of the dividend, the net earnings of the foreign exchange by the company amounted to Rs 59 lakhs.

As there was hardly any change in the selling price of the products, the entire increase in the cost of production had to be absorbed by the company, resulting in a substantial fall in the pre-tax profits. There would have been a proportionate decline in after-tax profits, but for the lower incidence of sur-tax and advantage of initial depreciation, the net profit was maintained around the 1974 level. The company maintained the equity dividend at 10 per cent per annum for the year 1975.

Raymond Woollens

The directors of Raymond Woollen Mills Ltd have announced a bonus gift of one share for every three shares held by capitalising Rs 50.50 lakhs from the general reserve.

The company has shown a marked improvement in the results for the year 1975. Sales and other operating income increased by 21.6 per cent to Rs 27.52 crores as compared to Rs 22.63 crores in the previous year. Gross profit before depreciation and write off of capital ex-

United Commercial Bank

Head Office
10, Biplabi Trailokya Maharaj Sarani
(Brabourne Road) Calcutta-700 001

STATEMENT OF POSITION

31st December, 1974 Rs.		LIABILITIES		31st December, 1975 Rs.
2,80,00,000		Capital · Paid-up		2,80,00,000
6,45,00,000		Reserve Fund		7,00,00,000
5,42,07,26,672		Deposits		6,23,17,06,058
19,54,87,032		Due to Banks and Correspondents		28,45,62,817
12,36,47,529		Bills Payable		8,75,07,313
52,45,55,548		Bills for Collection		53,47,04,178
18,80,60,360		Branch Adjustments etc		14,08,46,282
57,44,71,934		Acceptances for Customers		57,00,98,566
		PROFIT AND LOSS ACCOUNT:		
	1,91,51,332	Profit for the year	2,05,46,932	
		Less: Transfer to		
	45,00,000	Reserve Fund	55,00,000	
	1,00,00,000	Bonus to Staff	—	
	—	Investment Reserve	1,00,00,000	
46,51,332		Balance to be transferred to Central Govt.		50,46,932
7,12,41,00,407				7,95,24,72,146
		ASSETS		
65,86,96,913		Cash on Hand and with Banks		65,94,16,114
5,03,04,450		Money at Call and Short Notice		6,70,82,000
1,49,70,80,617		Investments in Govt. and Other Securities, Shares, Debentures etc.		1,74,68,26,548
3,70,54,84,777		Loans, Advances and Bills Purchased and Discounted		4,23,27,03,648
52,45,55,548		Bills for Collection		53,47,04,178
57,44,71,934		Constituents Liability on Acceptances		57,00,98,566
2,86,56,722		Premises		3,21,91,780
3,95,30,288		Furniture and Fixtures		4,51,30,174
4,53,19,158		Other Assets etc.		6,43,19,138
7,12,41,00,407				7,95,24,72,146

UCOC-67

penditure were substantially higher by 58.5 per cent at Rs 197.37 lakhs (Rs 124.50 lakhs). Consequently gross profit as percentage of sales has improved to 7.17 per cent form 5.50 per cent in 1974.

After providing for depreciation—Rs 65.85 lakhs (Rs 65.28 lakhs), write off of capital expenditure—Rs 4.19 lakhs (Nil) and making provsion for taxation—Rs 65.00 lakhs (Rs 6.50 lakhs), the balance has been transferred to general reserve—Rs 62.33 lakhs (Rs 46.72 lakhs) and development rebate reserve —Nil (Rs 6.00 lakhs).

The directors have decided to maintain the equity dividend at 12 per cent. The dividends recommended to be declared on preference and equity shares will absorb Rs 19.77 lakhs (Same) which will be appropriated out of the sum set aside to general reserve. The dividend recommended is within the limitations laid down under the Dividnd Restrictions Act and will be payable in full.

News and Notes

Gajara Gears Pvt Ltd, manufacturers of automotive gears have secured an export order valued at Rs 20 lakhs from Holland. The first shipment of 17 tonnes valued at Rs 4.5 lakhs will leave Bombay for Holland shortly. The company is negotiating for further export orders and expects to export goods worth Rs 2.5 crores in the next few years. The company in the past three years earned foreign exchange worth Rs 15 lakhs.

Modi Threads Mills, a leading thread manufacturer have entered in to a contract with an east European country, for the export of cotton sewing and embroidery threads worth Rs 50 lakhs. Modi threads are already being exported to over 40 countries including non-traditional countries such as West Germany. The companys' export division has orders in hand worth about Rs 2.2 crores.

A new project for the manufacture of bearings is coming up in Karnataka. The project being promoted by **Deepak Insulated Group**, is expected to reduce the countrys' dependence on imports considerably, when in full production. The project will have a capacity of 10 million pieces per annum, comprising of needle, roller, instrument and cylindrical bearings. The project is estimated to cost Rs 15 crores and the promoters are expected to make a public issue of shares by the end of the year. The project is being implemented in collaboration with a Japanes and a US firm. The US collaborators have shown the willingness to lift the entire production of the instrument bearings of the company.

New Issues

Himalaya Fertilisers Ltd, a company promoted by the Mineral and Industrial Development Corporation of Himachal Pradesh entered the capital market on May 29 with a public issue of 147,000 equity shares by subscription for cash at par. The company with an annual capacity of 50,000 tonnes of fertilisers has already started its production.

The plant located at Nalagarh, Himachal Pradesh—a backward area—was supplied by M/s Ferti Plant of Bombay on a turn-key basis. The project cost of Rs 71.41 lakhs is to be met through equity share capital of Rs 30 lakhs, term loans amounting Rs 34.6 lakhs and central subsidy of Rs 6.81 lakhs.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital. The details are as follows:

Oriental Fire and General Insurance Company Ltd has been permitted to capitalise Rs 3.47 crores out of its general reserve and issue fully paid equity shares of Rs 5 each as bonus shares in the ratio of one share for every equity share held.

Graphite India Limited, Calcutta has been allowed to capitalise Rs 93.5 lakhs and issue bonus shares in the ratio of one share for every two equity shares held.

Amalgamated Electricity Co Ltd, Bombay, has been allowed to capitalise Rs 34.70 lakhs and issue bonus shares in the ratio of one share for every three equity shares held.

Sun-Rise Auto Industries Limited has communicated to government of its proposals to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969 for Rs 50 lakhs (inclusive of the capital already raised).

Kirloskar Pneumatic Company Limited, Poona, has been accorded consent to capitalise Rs 85 78 lakhs out of its general reserve and issue bonus shares in the ratio of one equity share for every two equity shares held.

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Finlay Mills	Dec. 1975	11	8
Gold Mohur	Dec. 1975	10	7
Associated Rubber	Dec. 1975	12	Nil
Same Dividend			
Molins India	Dec. 1975	10	10
Aspinwall & Co. Ltd.	Dec. 1975	10	10
Ramnacast	Dec. 1975	10	10
Lower Dividend			
Navsari Cotton	Dec. 1975	Nil	12
Godfred Phillips	Dec. 1975	10	16

RECORDS AND STATISTICS

Rs 78,520 million annual Plan

THE ANNUAL Plan 1976-77 presented to Parliament on May 26, by Mr Sankar Ghose, minister of state for Planning would be of the order of Rs 78,520 million. This would mean an increase of 31.4 per cent over the original Plan outlay of Rs 59,780 million in the previous year. This marks the highest step-up in development outlays in any one year since the beginning of planning in the country.

Significant Improvement

The current year's Plan has been formulated against the background of significant improvement in the overall economic situation and achievement of a degree of price stability in 1975-76. The Plan takes into account the new sense of discipline and dynamism infused and the new direction to the planning process given by the 20-Point Economic Programme.

Special care has been taken to ensure that the increase in investment of the order of 31.4 per cent over the original Plan allocation does not lead to generation of any inflationary pressure in the economy. The investment pattern of the annual Plan has been framed against this background, and special emphasis has been given to an effective and purposeful implementation of the 20-Point Economic Programme.

Price Stability

The year 1975-76 has been marked by a great degree of price stability, a substantial increase in agricultural production, especially foodgrains, an accelerated industrial growth due to highly improved industrial relations, comfortable supply of essential commodities, and building up of sizeable stock of foodgrains with the public agencies as a result of a highly satisfactory procurement of foodgrains along with their imports.

This significant improvement in the economic sphere was aided partly by favourable weather conditions but was mainly due to the concerted efforts and new initiatives undertaken by the government to tackle the various economic problems facing the country, particularly after the declaration of emergency.

The most salient feature of the economic scene during the year just ended was the reversal of inflationary trends. The downward trend in prices that began since October 1974 was maintained during 1975-76. The wholesale price index in the last week of March 1976 reached 282.9, a level prevailed two years ago and was lower by 7.9 per cent than a year ago and by 14.4 per cent over end September 1974. The average index for 1975-76 was lower by 3.3 per cent over that of the previous years. This negative rate of inflation is a matter of great achievement for the country, especially when viewed in the context of present international price situation.

Higher Production

The favourable price situation has been achieved partly through a substantial increase in the agriculture and industrial production and partly through following a number of vigorous and stringent policy measures. These included crack-down on economic offenders—black-marketeers, profiteers and smugglers—restricting the use of unaccounted funds, statutory requirement of exhibition of prices and of stocks of selected essential commodities by traders, mandatory display of weight, measure and identity on pre-packed commodities and banning of sole-selling agencies, in industries such as vanaspati, sugar, paper ad cement.

These and the dehoardin operations undertaken b the government on an e tensive scale led to a chang in the psychology of bot the consumer and the tra ders, resulting in the conve sion of the seller's mark into a buyers' one.

Hike in Outlay

Development of Agricu ture: The hikes in develop ment outlays in 1976-77 ove the previous year are mor pronounced in the field o agriculture and allied ser vices, irrigation, power an industry and minerals i keeping with the genera objective of strengthenin the core sector of the economy. The provision fo agriculture and allied services has been stepped u from Rs 6914.1 million i 1975-76 to Rs 8962.3 million the increase being abou 30 per cent. Besides, large agricultural credit from financial institutions such a cooperatives, commercia banks, Agricultural Refi nance Corporation, etc, i likely to be available a compared to 1975-76 fo stepping up agricultur output.

The outlay for irrigatio and flood control has bee substantially increased fro Rs 4682.2 million in 1975-7 to Rs 6867.9 million 1976-77. The allocation f power has also been ste ped up from Rs 11015 million to Rs 14534 millio an increase of about 32 p cent

The target of crop pr duction during 1976-77 w be 116 million tonnes of foodgrain, 10.5 million tonnes of oilseeds, 150 million tonnes of sugarcane, 7.5 million bales of 170 kg each of cotton and 6.5 million bales of 180 kg each of jute and mesta.

The anticipated achievement of foodgrains during 1975-76 is 114 million tonnes of foodgrain, 10.5 million tonnes of oilseeds, 144.8 million tonnes of sugarcane, 6.9 million tonnes of cotton, 5.8 million tonnes of jute and mesta.

Foodgrain Production

In view of the input planned investment for 1976-77 the production of foodgrains might turn out to be even higher if the behaviour of the weather is favourable during the year as it was during 1975-76.

The two main elements in the strategy for promoting agricultural growth and achievement of targets of production are the step-up in the consumption of fertilisers. increase in area under irrigation, introduction of high-yielding varieties on a more extensive scale, and adoption of soil conservation.

The irrigation facilities through major, medium and minor works will be extended to additional two million hectares and the gross cropped area is also expected to increase by 2.3 million hectares. Besides intensive development programme for pulses in operation in 40 districts in 1975-76 the intensive district programme for major commercial crops—oilseeds, cotton, jute and mesta—and sugarcane development around sugarcane factory areas are proposed to be further intensified.

Special emphasis has been given to the improvement of the productivity of small and marginal farmers and in the semi-arid zones. The provision for special programmes such as Small and Marginal Farmers, Drought-prone Area and Command Area Development Programmes has been substantially raised from Rs 806.6 million in 1975-76 to Rs 938.3 million in 1976-77. A methodology of an integrated rural development programme will be worked out on an experimental basis and a provision of Rs 150 million has been made for this purpose in the Plan.

Higher Investment

Step-up in Industry : The outlay for industry and minerals, which forms a substantial portion of the total investment in the public sector in 1976-77, has been increased from Rs 16,440.2 million in 1975-76 to Rs 21,853.4 million in 1976-77, an increase of about 33 per cent.

The industrial development plan has been formulated to stimulate the rate of investment and growth in consonance with the main strategy outlined in the draft fifth Plan with adjustments in industrial priorities necessitated by developments at home and abroad during the last two years. The main plank of this strategy lies in the emphasis given to industries catering to agriculture, energy and exports, fuller utilisation of existing capacities and creation of new capacities, and production of mass consumption goods, particularly those required for weaker sections of the community.

Consumer Goods

The provision for consumer goods industry such as textile, cement and paper in the public sector has been increased from Rs 640 million in 1975-76 to a little over Rs 850 million in 1976-77. The provision for providing investment and transport subsidy has also been doubled from Rs 50 million in 1975-76 to Rs 100 million for giving increased support to the programme of industrial development in the backward areas.

The outlook for the industrial growth is very promising. The position in regard to availability of key inputs such as steel, coal, cement, power and transport facilities which is already satisfactory is likely to improve further as a result of the achievement of physical targets envisaged in the Annual Plan. The installed capacity of power is likely to increase by 2.5 million KW in 1976-77. Railways are fully geared to handle the target of originating traffic of 225 million tonnes against 214 million tonnes in the previous year.

With the expected increase in agricultural production and agro-based industrial inputs, the new dynamism introduced in the working of public sector undertakings and the new climate of industrial peace generated in the economy, it is reasonable to expect that the rate of economic growth this year would be higher as compared to the previous year.

Other Services: Outlays on social services for 1976-77 have also been increased by about 29 per

TABLE I

Sectoral Distribution

(Rs million)

Head of development	1975-76	1976-77
Agriculture and Allied Programmes	6914.1	8962.3
Irrigation and Flood Control	4682.2	6867.9
Power	11015.8	14534.0
Village and Small Industries	738.9	950.2
Industry and Minerals	16440.2	21853.4
Transport and Communications	10404.4	13043.1
Social Services	7828.2	10100.6
Others	1757.1	2207.7
Total	59780.0	78519.2

cent over the previous year. It needs special mention that the allocation for hill and tribal areas has almost been doubled from Rs 400 million in 1975-76 to Rs 760 million in 1976-77.

The outlay for the Minimum Needs Programme has been considerably increased from Rs 1900 million in 1975-76 to about Rs 2550 million in 1976-77.

It is also significant that a substantial provision of Rs 23,376.8 million has been made under the 20-Point Economic Programme during 1976-77. The implementation of this programme is expected to create larger employment opportunities and income generation particularly for the weaker sections of the society.

The sectoral distribution of the Annual Plan outlay is given in Table I.

Rural Employment

Employment, Manpower and Labour Welfare: Excepting the Pilot Intensive Rural Employment Project which completed its tenure of three years in October 1975 all other social programmes of rural development will be continued during the year. A committee has been set up under the Chairmanship of Prof M.L. Dantawala to study the socio-economic impact of the implementation of the Pilot Intensive Rural Employment Project with a view to evolving a comprehensive programme for the whole country. For the small Farmers' Development Agency as against an outlay of Rs 210 million in 1975-76 the approved Plan outlay in central sector for 1976-77 is Rs 260 million. Rs 239 million have been provided for the Tribal Development Agencies. A provision of Rs 340 million has been made for Drought-prone Area Programme against an outlay of Rs 250 million in 1975-76. The state governments are also expected to make complimentary contribution from their own budgetary resources.

New Scheme

The annual Plan 1976-77 for employment has been formulated, keeping in view the need for providing expanded employment opportunities. A new scheme for training of 30,000 carpet weavers in Jammu and Kashmir, Uttar Pradesh and other states is also being taken up for implementation. Besides, several schemes under the 20-Point Economic Programme will substantially accelerate the generation of employment opprotunities. These include the national apprenticeship scheme, special scheme for the development and strengthening of handloom industry.

Some state governments are launching or expanding programmes in the rural areas for the creation or improvement of durable assets such as wells ,tanks, canals, as part of Plan scheme for rural development. These programmes are labour intensive and will also help in creating additional employment opportunities.

Special care is being taken for develpoment of backward classes and backward areas. Rs 954.2 million has been provided for the development of backward clesses. This includes Rs 400 million for the tribal sub-plans. All the eight centrally-sponso ed schemes included in th fifth Plan will be continue An amount of Rs 140 millio has been provided fo merit scholarship and 41. million scheduled caste an scheduled tribe students ar expeccted to be benefited b it. An amount of Rs 394. million has been provide

TABLE II

Outlays on 20-Point Economic Programme—States and Union Territories

(Rs million)

	1975-76	1976-77
	Anticipated expenditure	Approved outlay
Land Reforms	231.0	372.6
Minor Irrigation	1291.8	1490.4
Major and Medium Irrigation	4750.5	6136.3
Cooperation	432.1	575.2
Power	11595.6	12896.9
Handloom Industry	89.8	117.0
House-sites for Landless Labourers	98.3	99.7
Apprenticeship Schemes	3.8	9.5
Free Supply of Books and Stationery and Book Banks	13.9	42.1
Total	18505.8	21739.7

TABLE III

Allocation for 20-Point Economic Programme

(Rs million)

	1975-76	1976-77
	Anticipated expenditure	Approved outlay
States and Union Territories	18506.8	21739.7
Central Sector	1190.1	1637.1
Total	19696.9	23376.8

for states and union Territories in the backward class sector. Of these more than 40 per cent will be spent on educational schemes, about 30 per cent on economic aid, and the rest on health, housing, direction and administration.

A special central assistance of Rs 400 million has been provided to states for tribal sub-plan areas. During the year the pace of formulation of integrated tribal development project will be accelerated. The states will take up programmes in priority areas as part of advance action. These programmes include debt redemption, restructuring the credit-cum-marketing organisation, updating the land records, minor irrigation, plantation schemes and agricultural development, and restructuring of administration.

20-Point Economic Programme: The various constituents of the 20-Point Economic Programme have been further strengthened in the 1976-77 annual Plan. Attempt has been made to dovetail these programmes with the existing Plan schemes. The total outlays for such items as require financial support are given in Table II.

In addition to the outlays provided in the annual Plans of states and union territories, a provision of Rs 1637.1 million has been made in the Plan for various schemes relevant to this programme. Table III gives a view of the total availability of funds for this programme in 1976-77. Table IV gives the total plan outlays for the year 1976-77.

A major step-up in investment is the hall-mark of the annual Plan for 1976-77. For gaining the maximum advantage from the planned increase in investment, the maintenance of conditions of price stability is of crucial importance The need to take measures for increasing the domestic output and availability particularly of essential goods of mass consumption as well as the essential raw materials and inputs, galvanising the public distribution system, credit and fiscal discipline, restraint on the growth of non-Plan expenditure, etc. has been a specially stressed.

TABLE IV

Plan Outlay for 1976-77—Central, States and Union Territories

(Rs crores)

Head of Development	Cental & Centrally Sponsored Schemes	States	Union Territories	Total
Agriculture and Allied Programmes including ARC	366.60*	514.68	14.95	896.23
Irrigation & Flood Control	14.38	666.70	5.71	686.79
Power	163.71	1270.97	18.72	1453.40
Village & Small Industries	51.68	40.02	3.32	95 02
Industry & Minerals	2051.75	132.74	0.85	2185.34
Transport & Communications	1039.80	246.80	17.71	1304.31
Education	78.70	160.36	13.75	252.81
Science & Technology	91.28	—	—	91.28
Health	58.72	61.61	5.83	116.16
Family Planning	70.14	—	—	70 14
Nutrition	4.17	16.36	0.60	21.13
Water Supply & Sanitation	1.28	170.98	16.53	188.79
Housing & Urban Development	43.83	124.40	13.17	181.40
Welfare of Backward Classes	15.95	38.85	0.95	55.75
Social Welfare	9.12	3.88	0.62	13.62
Labour & Labour Welfare	1.86	6.27	0.85	8.98
Others	27.44	50.93	3.90	82.27
Employment Promotion Programme	—	46.00	—	46.00
Hill and Tribal Areas	—	76.00	—	76.00
North Eastern Council	—	—	—	16.50
Grand Total	4090.41	3627.55	117.46	7851.92

*Includes Rs 15 crores for Integrated Rural Development Programme.

TABLE V
Estimates of Financial Resources

(Rs crores)

	Annual Plan 1975-76			Annual Plan 1976-77		
	Centre	States	Total	Centre	States	Total
I. Domestic budgetary resources at 1973-74 rates of taxes, fares, freights and tariffs.	1886	922	2808	2223	1042	3265
1. Balance from current revenues	499	160	659	386	321	707
2. Gross surplus of public enterprises	404	44	448	286	—93	—193
a) Railways	—275	—	275	—378	—	—378
b) Posts & Telegraphs	73	—	73	57	—	57
c) Other enterprises	606	44	650	607	—93	514
3. Market borrowings of government public enterprises and local bodies	325	453	778	535	391	926
4. Small savings	110	270	380	110	280	390
5. State Provident Funds	150	139	289	191	171	362
6. Term loans from financial institutions (net)	—	143	143	—	113	113
a) From LIC	—	131	131	—	131	131
b) From RBI	—	20	20	—	19	19
c) From REC	—	64	64	—	62	62
d) Less: Repayment to financial institutions	—	—72	—72	—	—99	—99
7. Miscellaneous capital receipts	398	—287	111	715	—141	574
II. Additional resource mobilisation						
a) **Centre**						
1974-75 Measures	918	50	968	1008	54	1062
1975-76 Measures	257	78	335	270	102	372
1976-77 Measures	—	—	—	277	32	309
Total	1175	128	1303	1555	188	1743
b) **States**						
1974-75 measures	—	577	577	—	704	704
1975-76 measures	—	183	183	—	308	308
1976-77 mefisures	—	—	—	—	225	225
Total	—	760	760	—	1237	1237
III. Total domestic budgetary resources.	3061	1810	4871	3778	2467	6246
IV. Deficit financing	246	—	246	320	—	380
V. External assistance (net)	861	—	861	1287	—	1287
a) Other than oil & special credits:						
i) Loans & grants	673	—	673	1012	—	1012
ii) US rupee funds	—42	—	—42	—53	—	—53
Total	631	—	631	959	—	959
b) Oil credits	230	—	230	150	—	150
c) Special credits	—	—	—	178	—	178
VI. Aggregate resources	4168	1810	5978	5385	2467	7852
VII. Assistance for state plans	—811	811*	—	—935	935*	—
VIII. Special advance assistance to states	—100	100	—	—242	242	—
IX. Resources for the Plan	3257	2721	5978	4208	3644	7852

*Exclusive of special assistance of Rs 18 crores in each year to Andhra Pradesh under the six point formula.

Code of journalisitic ethics

A COPY of the Code of Journalistic Ethics was laid on the table of the Lok Sabha on May 27 by Mr V.C. Shukla, minister of Information and Broadcasting. The code was finalised by the All-India Newspaper Editors' Conference and recommended by the Central Committee of Editors at its meeting held in Calcutta on April 30. Mr Shukla said the code would help maintain proper standards in the Indian press and Indian journalism and there was need for according legislative sanction to the code. The text of the 14-point code is given below:

As the press is an essential organ of the democratic set up, an important vehicle of communication and an instrument in the creation of public opinion, the journalists should regard their profession as a trust to serve public interest.

Forum for Comment

In pursuance of this objective, the press should provide a truthful, comprehensive and reliable account of the events in a context which gives them meaning, project a representative picture of the constituent groups in society, regard itself as a forum for comment and criticism and discharge social responsibilities by clarifying the goals and values of society.

Our goals are enshrined in the preamble to the Constitution which embodies the resolve of the people to secure for all citizens justice, social, economic and political; liberty of thought, expression, belief, faith and worship; equality of status and of opportunity; and to promote among them all fraternity assuring the dignity of the individual and the unity of the nation". This preamble is reinforced by the Directive Principles of State Policy which lay down that "the state shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political shall inform all the institutions of the national life".

Social Responsibility

To discharge this social responsibility, it is evident that the moral and ethical behaviour of the press should reflect the values of society at large; so should criticism. In pursuance of this trust and social responsibility, the following code of ethics will be applicable :

1. In the discharge of their duties, journalists shall attach full value to fundamental human and social rights and shall hold good faith and fair play in news reports and comments as essential professional obligations.

2. Journalists and newspapers shall endeavour to highlight and promote activities of the state and public which aim at national unity and solidarity, integrity of India and economic and social progress.

3. Journalists and newspapers shall avoid publication of reports and comments which tend to promote tensions likely to lead to civil disorder, mutiny or rebellion. Violence must be condemned unequivocally.

Factual Information

4. Journalists and newspapers shall ensure that information disseminated is factual. No fact shall be distorted nor information known to be false or not believed to be true shall be published.

5. No sensational or tendentious report of a speculative nature shall be published. Any report or comment found to be inaccurate shall be rectified by prominent publication.

6. Confidence shall always be respected. Professional secrecy shall be preserved.

7. Journalists shall not exploit their status for non-journalistic purposes or for seeking information for non-journalistic purposes and shall not allow personal interest to influence professional conduct.

8. There is nothing so unworthy as the acceptance or demand of a bribe or inducement for the exercise by a journalist of his power to give or deny publicity to news or comment.

9. Journalists and newspapers shall not indulge in personal controversies in which no public interest is involved.

No Rumours

10. Journalists and newspapers shall not give currency to or publish rumours or gossip or even verifiable newes affecting the private life of individuals.

11. Newspapers shall refrain from publishing matter (including advertisements) which is obscene or is likely to encourage vice, crime or unlawful activities.

12. Journalists and newspapers shall promote and project the nationol objective of democracy, secularism and socialism.

13. Journalists and newspapers shall refrain from giving tendentious treatment to news of disturbances, involving caste, community, class, religion, region or language groupings and shall not publish details of numbers or identity of groups involved in such disturbances except as officially authorised.

14. Journalists and newspapers shall not publish information or comment detrimental to the interests of the sovereignty and integrity of India, the security of the state or friendly relations with foreign countries.

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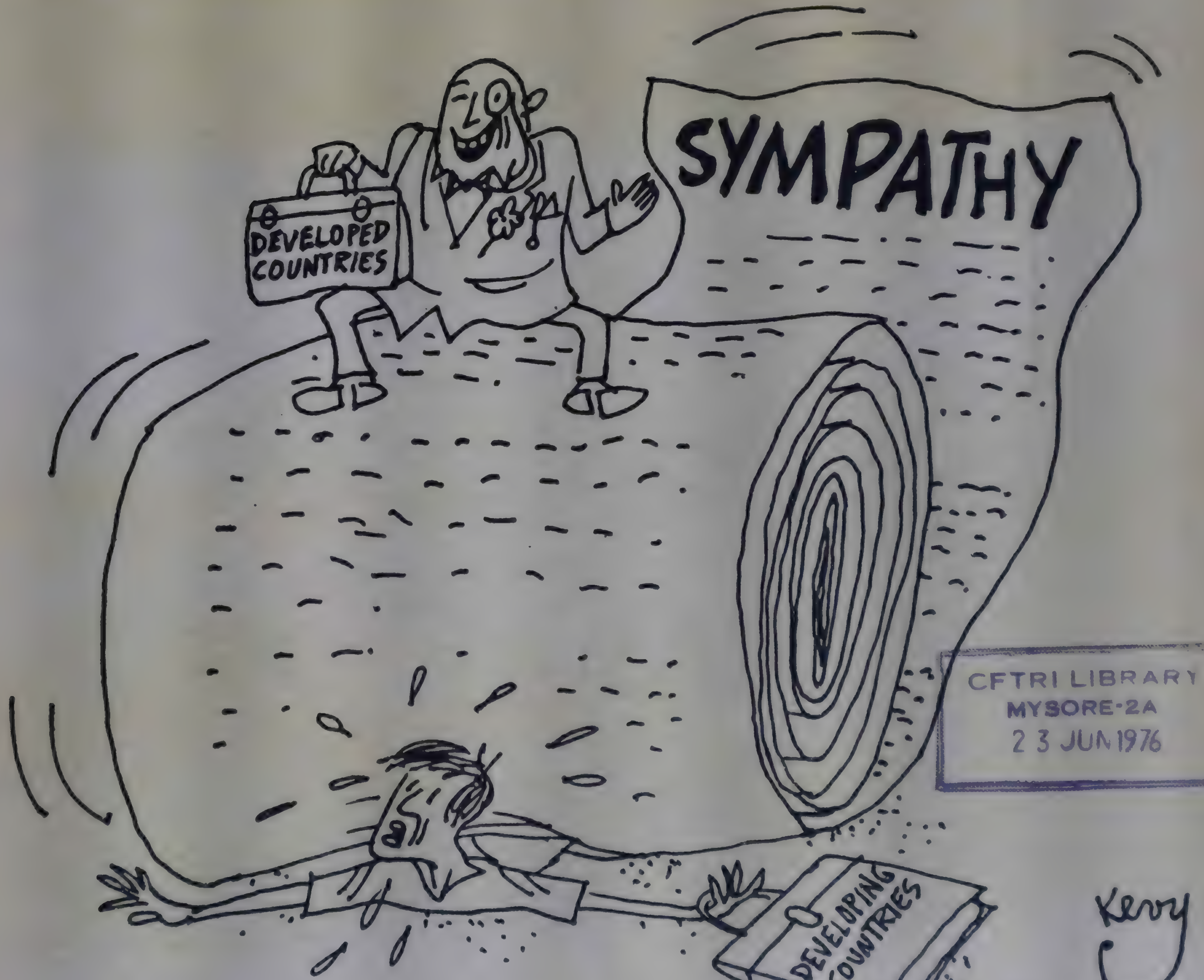
Vol. 66 June 11, 1976 No. 24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Leading Articles

A Ray of Hope? 1257
A Helping Hand from Aid-India Club 1258
Incentives for Jute Industry 1259
Pesticides and their Prices 1261
Capital's Corridors 1263

Point of View

Role of Exports in Our Economy — D.C. Kothari 1266
Climate for Bold Planning? —Sagittarius 1271
Effects of Land Reform on Mode of Agriculture—D.V. Kasar & T.K.T. Acharya 1273

Window on the World

Economic and Social Cost of Inflation —David H. Freedman & Robin Broadfield 1275
Industrial Democracy in West Germany—N. K. Barooah 1277
"Home of Man"—Geoffrey Lean 1279

Trade Winds

Rupee-Pound Ratio; Technology for Frozen Foods; World Bank Aid for Tele-Communication; Mir Qasim in Central Cabinet; World Bank Loan for Seeds; Modernisation of Domestic Appliances; Edible Oils in Cooperative Sector; Non-Credit Cooperatives; IMF Sale of Gold; Sugar Output; Steel Output; Habitat Meet; Industrial Production; Facilities for Non-Resident Indians; Names in the News 1282-1287

Company Affairs

Punjab National Bank; Bihar Alloy; Jagatjit Industries; Bank of Baroda; Baroda Rayon; Khandelwal Udyog; CGR India; News and Notes; New Issues; Dividend; Licences and Letters of Intent 1288-1298

Records and Statistics

Annual Report of Ministry of Commerce 1299
Production Requirement of Pesticides by 1978-79 1307

A ray of hope ?

THE CARTOON on the cover page of this issue of *Eastern Economist* depicts the frustration of the developing countries which had entertained high hopes regarding the outcome of month-long deliberations at Nairobi where the fourth United Nations Conference on Trade and Development (UNCTAD-IV) was held. The Manila Declaration of the Group of 77 (at present numbering 110) had sought not only the establishment of the Common Fund to stabilise prices of primary commodities by building up stocks but had also urged the developed countries to concede their demands relating to indexation, postponement of debt servicing, consolidation of commercial debts and transfer of technology. What the developing countries got at Nairobi was no more than a promise that the developed countries would negotiate on the Common Fund without prior acceptance of this mechanism for stabilising the prices of primary products besides a few other not-very-helpful resolutions. Both Dr Gamani Corea, Secretary-General of UNCTAD-IV and Dr P. C. Alexander, secretary, Foreign Trade and deputy leader of the Indian delegation, thought that this was a significant advance which the rich countries had made in relation to their previous stand.

How far the agreement by the developed countries to negotiate the modalities of the Common Fund could be deemed as a success, was debatable. Dr Henry Kissinger, the US Secretary of State, had put forward a number of proposals, the most important being the one relating to the establishment of an International Resources Bank, which however was voted out by UNCTAD-IV. The developing countries have been sore over their inability to get adequate prices from the developed countries for their exports which factor alone has tended to undermine their development and has made them run round the rich countries for loans and assistance. Once bitten, twice shy, the rich countries have refused to touch any proposal which in their view is likely to repeat the crude oil story. According to a recent study, the rise in the price of oil from $2.75 a barrel to $10 a barrel had imposed a tax of $75,000 million on the oil-importing countries. And this was also the cause of the world-wide recession which is still hurting the economies of many countries.

All that the resolution adopted at Nairobi says is that the secretary-general will convene a negotiation conference open to all members of UNCTAD on the Common Fund not later than March 1977. Prior to this conference, preparatory meetings will be convened to elaborate objectives, financing needs of the Common Fund and its structure, sources of finance, mode of operations, fund management and the setting up of decision-making machinery. In this time-bound programme, the representatives of developing countries see a ray of hope. They think that the rich countries may have reservations on the workability of the Common Fund but they have not rejected it. Solid support came from Mr Jan Pronk, the Netherland's minister for Development, who is reported to have said: "Our countries will work actively together with you all in order that this resolution shall result in a true and comprehensive integrated programme. We will then have taken a decisive step towards a more just and equitable international economic order." This unequivocal support by the Netherlands went a long way in bringing about a consensus on the Common Fund resolution.

The other major question which had exercised the minds of the spokesmen of the developing countries was that of debt relief. At the end of 1973, the poor countries of the world owed the rich countries no less than $119 billion.

The plea of the developing countries that rescheduling of repayments should be allowed so as to lessen the pressures on their balance of payments was rejected. Instead a resolution was passed which agreed on the working out of guidelines for this purpose by "an appropriate international forum" by the end of the current year. In this case also, the only saving grace is the time limit fixed while the contours of the rescheduling programme remain unchartered. The developing countries had asked for the cancellation or rescheduling of the debts at a special global conference but the developed countries turned deaf ear to it. UNCTAD-IV made one signal service —it brought home the point that the burden of debts contracted by the poor countries had become unbearable.

While the implications of the resolutions passed at Nairobi are still being discussed all over the world, news has come from Washington that another "Economic Summit"—a meeting of the seven major industrial nations—will be held in Puerto Rico on June 27-28. The earlier summit at Rambouillet (France) last year had assisted these countries in achieving strong economic recovery. Understandably, discussion will centre in problems of mutual interest but the results of the UNCTAD-IV meeting are bound to come up. At this summit, the leaders of the rich countries cannot help deliberating upon the resolutions which were passed at Nairobi. At Vancouver where the Habitat conference is going on currently, Mother Teresa said: "We make too many resolutions, and as a rule we don't fulfil one". This pungent remark also summarised the feelings of the developing countries which had over the years received abundant sympathy in words from the developed countries. It is now up to the rich countries to prove that their concern for the poor countries is not skin-deep.

A helping hand from Aid-India Club

WITH OUR economy having registered a fairly impressive progress during the last year, the secretary for Economic Affairs, Mr M.G. Kaul, did not have to strain himself much in seeking pledges for assistance for 1976-77 from the Aid-India Consortium which met in Paris a few days ago to decide on the issue under the aegis of the World Bank. His task was made all the more easy by the report of the World Band experts' team which formed the basis of the discussions at the Paris meet. As the communique issued at the conclusion of the Consortium's meeting reveals, its members commended the significant improvement achieved last year in almost all the sectors of our economy. They pertinently noted the measures taken by the government to raise both agricultural and industrial production as also the steps to boost exports, combat inflationary tendencies and contain population growth. Satisfaction was derived by them particularly in regard to the control of inflation by us at a time when uptrend in prices continued to afflict many other economies, including those of some of the developed counties. The sizeable improvement in our foreign exchange reserves in the recent past—for the first time in many years—too was well received. Reports further suggest that discussions this time were not marred by political controversies which had been the case last year following the explosion of a nuclear device by us in May 1974.

The Consortium has pledged for 1976-77 assistance to the order o $ 1,800 million—nearly $ 25 millio more than the commitments made las year. This year's pledges include bilateral aid from the member countrie to the extent of about $ 1,100 million The remaining assistance is to com from the World Bank and its affiliate the International Development Association (IDA). The commitments include $ 160 million on account of rescheduling of the debt already incurred.

US attitude

While several countries, including the United Kingdom and Japan, have stepped up their assistance, though modestly, the United States has again refrained from providing aid. It is, however. understood that food aid to the order of about $ 61 million under PL 480 might be made available by the USA. Last year also, the United States provided assistance under this Public Law to the tune of $ 83 million. Not only has the United States not pledged any economic assistance this year as well but also it has not agreed to any commitment in regard to debt re-scheduling.

Another significant feature of the commitments of aid this year—of course, in line with the trend in the recent years—has been that some more countries have improved their terms—some have improved their terme further : some have done so for the first time. These include West Germany, Japan, Belgium, France and Sweden. West Germany has accepted the IDA terms under which the repayment of the aid provided is to be made in 50 years, inclusive of a 10-year grace period, the rate of interest being very low. The details of the new terms offered by Japan are not yet available but they are said to be much easier than hitherto. Belgium is stated to have brought down the interest charges on its loans from two per cent to one per cent. France has improved the grant element in its assistance. Sweden will now be oviding all aid in the form of grants: therto part of the assistance from is country had been in the form of ans and part in grants. The British, anish and the Norwegian assistance s to continue to be in the form of rants. All this should go a long way n reducing the debt servicing burden n us.

So far as the assistance from the Vorld Bank and its affiliate the IDA is concerned, this year's commitment of $ 700 million shows a decline of $ 200 million from the $ 900 million contribution last year. Parhaps this is due to the fact that the resources of the IDA are expected to remain tight during 1976-77 also. The possibility of some additional aid from this source, of course, cannot be ruled out if the funds available with it are augmented in the near future.

rescheduling of debt

Debt re-scheduling, similarly, has been reduced to $ 160 million from the last year's level of $ 170 million. Compared to 1974-75, the reduction in re-scheduling of debts this year is much more pronounced—to the order of about $ 110 million. No explanation is available for the progressive scaling down of debt re-scheduling, despite the burden of debt servicing going up year after year. According to the World Bank report, it will be around $ 875 million this year—$ 90 million more than last year—$ 930 million next year and $ 980 million in 1978-79. The recent improvement in our foreign exchange reserves—due to increased remittances home by Indian nationals and such other factors as the continuing weakness of the pound-sterling, improvement in exports, some reduction in imports, etc—should, of course, stand in good stead in this regard.

The advice of the Consortium that in view of the significant improvement in our foreign exchange reserves, we can go in for some expansionary investment as well as appropriate adjustments in the import policy is not unwarranted. In fact, the Plan expenditure this year has already been stepped up by 31.4 per cent compared to last year. The import policy too has been relaxed a great deal. If the improvement in foreign exchange reserves continues, as expected, further adjustments in the import policy need not be ruled out, though it will be erroneous to assume that the basic tenets of this policy will be changed to cater for some direct consumption needs. Our import policy has been progressively attuned to the requirements of accelerating growth not only of the economy as a whole but also of exports. Squandering away of reserves on imports of direct consumption items can hardly be justified when the reserves can be utilised in a much better way for fostering development. The improved reserves are partly being used at present for liquidating indebtedness to the International Monetary Fund. This will help in containing the foreign debt servicing burden. They can also be profitably utilised for meeting the growth requirements of the economy—imports of industrial raw materials and equipment and machinery.

Incentives for jute industry

In his address to the annual general meeting of the Indian Jute Mills Association (IJMA), held in Calcutta on May 21, Prof D.P. Chattopadhyaya, the union Commerce minister, reiterated his view that the industry was largely responsible for its present plight since it had systematically neglected research, market promotion, and cost reduction. Even if this is true, does such constant criticism of the industry serve any useful purpose at a time when it is faced with a really critical situation?

Mr Bangur revealed in his presidential address that during 1975, the exports of jute goods declined to 450,000 tonnes from an average level of 620,000 tonnes in the previous three years. About a decade ago, the industry's annual export amounted to over 900,000 tonnes. In 1975, the exports of hessian and carpet backing were only 226,000 tonnes and 109,000 tonnes against 267,000 tonnes and 144,000 tonnes respectively in the previous year. The sacking exports also came down to 81,000 tonnes in 1975 from 129,000 tonnes in 1974.

In these circumstances, both the government of India and the jute industry have a responsibility to take immediate and effective measures to improve the export earnings. Mr Bangur suggested that the cash compensatory support, presently given to carpet backing and jute specialities, should be extended to hessian, cotton bagging and new wool packs, that the margins on bank advances should be reduced to a flat 10 per cent, that soft loans should be provided against blocks, and that the mills' cash credit limits, fixed about ten years ago, should be increased.

These proposals have been made before but Prof. Chattopadhyaya's speech gave no indication that these were under the active consideration of the government of India. The minister described the various decisions recently taken by the government to assist the jute industry, such as the removal of the export duty and the formation of the Development Council. But Mr Bangur pointed out that "there has not been any improvement in the overseas demand for our jute goods," that "the imbalance between the industry's cost and the selling prices continues", and that the mills were "incurring heavy financial losses and their liquidity position has now become precarious".

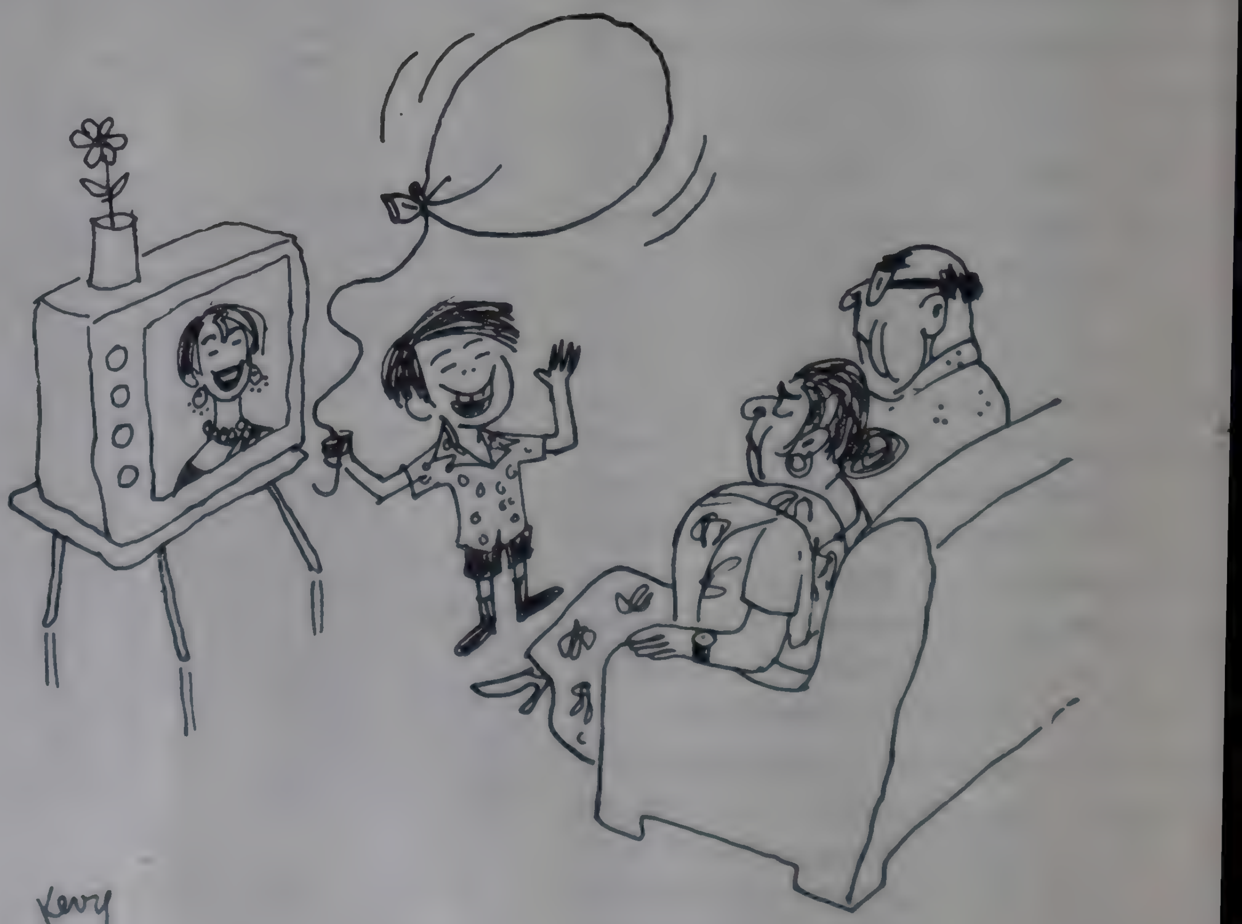
Prof. Chattopadhyaya stressed the importance of increasing the yield of jute per acre. Mr Bangur revealed that in the season 1973-74, the per acre yield rose to 3.18 bales but in the season 1974-75, it declined to 2.73 bales. He said that, on account of the good rainfall in recent weeks, the prospect for a sizable crop in the coming season had brightened. He suggested that the excess quantity of raw jute should not be exported but should be put into a buffer stock which would ensure a steady supply of raw material to the industry The minister said that the government was taking up this issue with the different international forums for the establishment of an international buffer stock for jute and jute products and that it was negotiating with Bangladesh and Nepal for setting up the Jute International. But he did not disclose what progress had been made in these negotiations and how soon the Jute Inrernational would start functioning. Whether the buffer stock is set up at the national or the international level, the government should see to it that there is no shortage of the fibre and that the mills are able to get their supplies adequately and at economic prices. Meanwhile, the mills should expedite the payment of their outstanding dues to the Jute Corporation so that the latter could exercise effective control on the market.

labour productivity

Prof. Chattopadhyaya advised the industry not to exploit the labour force and to pay promptly its statutory dues to labour. The industry should heed this advice sincerely and avoid complaints on this score. But at the same time, the government should use its influence in improving the labour productivity. The impact of wages as percentage of net sales in the jute industry increased from 15.89 per cent in 1965-66 to 25.72 in 1973-74 while it declined from 20.78 per cent to 18.82 per cent in cotton textiles and varied from 15.27 per cent to 16.01 per cent for all industries taken together. Mr Bangur said: "If the progressively stagnating effect of excessive manufacturing cost, uneconomic selling prices and erosion of the industry's competitive strength have to be arrested through any realistic measure, it is essential that the productivity of this industry is considerably improved and the process of rationalisation is carried out at a faster pace". Both the government of India and the government of West Bengal should offer their full cooperation to the industry to improve the productivity of labour.

Mr Bangur dealt with several other important issues such as the purchase policy of the Director-General of Supplies and Disposals, heavy burden of excise duty, importance of research and modernisation. These and other problems of the jute industry should be tackled with realism and urgency since, otherwise, as Mr Bangur said, "there will be serious repercussion on the economy of the eastern region in general and West Bengal in particular". The government should refrain from adopting dilatory tactics by appointing one committee after anoth to look into the industry's problem As a spokesman of the industry sa recently, in several instances the fin ings of these committees had prove wrong within a month or two of the publication. The government therefor should take quick decisions to mak the industry viable.

The trade unions should also adop a constructive attitude. At th tripartite meeting held in Calcutt on May 22, the representatives o trade unions said that there was n alternative to the nationalisation of th jute industry. But will this step solv the immediate problem of reopening th closed mills and the prevention of more units from closure in the coming weeks? Will nationalisation help to revive the foreign demand for jute goods? It seems strange that the government of West Bengal also has not been taking a realistic view of the plight of the jute industry despite its crucial importance to the state's economy. At the tripartite meeting, Dr Abedin, West Bengal's minister for Cooperation, asked why synthetics should cause



But I'm not kidding: balloons can replace satellites in TV coverage.

ifficulties for the jute industry when hey had not done so for the cotton tex-iles! He suggested that the government should take over a few sick mills and some viable units. Dr Abedin's remarks seem to show that the West Bengal cabinet has not yet clearly understood the nature and seriousness of the difficulties confronting the jute industry.

Pesticides and their prices

A REVISION in the prices of important pesticides produced in the country is on the cards. The government has asked the Bureau of Industrial Costs and Prices to undertake a cost study in respect of all major pesticides to ensure that their prices are maintained at reasonable levels. This revision will be in addition to the recent downward adjustment of the prices of several pesticides voluntarily agreed to by the industry. This study is also likely to throw some light on the problem of the variations in the prices of the same technical grade material offered by different manufacturers which creates difficulties in pricing some of the formulated products.

At a recent plant protection conference held in New Delhi it was revealed that BHC was offered from Rs 4500 to Rs 8000 per tonne by different manufacturers. The explanation put forward by the industry was that various factors such as technology, cost of raw materials, size of the unit and the cost of power determined the price of the final product. But in spite of these factors, the industry should evolve a proper pricing policy so as to offer this essential agricultural input at reasonably low prices and at uniform rates. In the absence of any statutory control on the prices or distribution of the product, the responsibility of the industry is all the more greater.

At the present moment the attention being paid to prices is justified in view of the fact that the demand for pesticides is likely to rise in the near future. In an environment of rising agricultural productivity associated with assured supply of water and application of fertilisers and high-yielding varieties of seeds, increasing use of pesticides is imperative. Several new varieties of crops are less resistant to plant diseases and many new pests proliferate in areas characterised by excessive moisture and multiple pattern of cropping. For instance, the brown plant hopper which appeared in Kerala state some years ago, has spread to eleven states where high-yielding varieties of dwarf paddy with thick leafy growth has been cultivated. Urged by these circumstances an inter-ministerial committee (headed by the Director, National Chemical Laboratory) set up by the government has estimated that the level of consumption of pesticides, which at present ranges around 55,000 tonnes, is likely to touch 80,000 tonnes by 1978-79.

a yardstick

There is another yardstick to confirm this expected upswing in the use of pesticides in this country. The experience of the countries with high agricultural productivity shows that fertilizers and pesticides are complementary inputs and the increased use of the former leads to enhanced input of the latter. The ratio between fertilizers and pesticides in terms of value has been around 3.5: 1 in most of the countries practising progressive agriculture. In our country this ratio has tended to be around 7:1, revealing the fact that consumption of pesticides vis-a-vis fertilisers has been lagging behind this accepted norm. This imbalance has to be rectified with increased use of pesticides now, especially when the consumption of plant nutrients is expected to rise significantly.

It may be added that specificity of pesticidal chemicals has a special significance in the crop protection programme. For this reason, consideration of the overall installed capacity of the industry or its under-utilisation has less relevance to the demand pattern. For instance, the large installed capacity for the weedicides or fungicides cannot be utilised to control insect pests because weedicides cannot control pest diseases nor fungicides the weeds. For instance, comparatively large installed capacity that exists for the manufacture of Benzene Hexachloride (BHC) cannot be effectively made use of to control many insect pests or to produce liquid formulations which are becoming increasingly popular.

installed capacity

The installed capacities of many effective insecticides such as parathion, metasytox, dimethoate, malathion, fenitrothion are not adequate at present to meet the current needs (See Records and Statistics, page 1307). Specific gaps in respect of certain types of pesticides where licensing capacity is still being encouraged, include aldrin, chlordane, haptachlor, new carbamates like carbafurn and others based on methylise-cynates, organophosphatics like dursban, phosyel, formothion, disyston, thiometon, diazinon, thiodemeton, penthion, abate, systematic fungicides like benlate, vitavax and hinosan; acricides like tedion and kelthane, weedicides and growth regulants like simazine, ethepon mematocides like terracur and DDT.

This gap is at present being filled to some extent by imports which durin 1975-76 were valued at Rs 9.34 crore against an import of Rs 11.45 crore during 1974-75. The import of endri which increased from 335 tonnes 1974-75 to 550 tonnes during 1975-7 was priced at Rs 121 lakhs and Rs 250 lakhs respectively during the two years. Another major import during 1975-76 was that of paraquat valued at Rs 107 lakhs. The import of 243 tonnes of endosulphan cost Rs 118.28 lakhs during 1975-76. Toxaphene was also imported in large quantity. The import of 2,486 tonnes of carbaryl cost Rs 4.28 crores during 1974-75 as against the import of 727 tonnes for Rs 1.28 crores during 1975-76.

In order to meet the increased requirements of pesticides, the government has included this industry in the core sector in the matter of licensing under the Industries (Development and Regulation) Act and has listed it in the priority industries sector for purposes of import of raw materials. As the sophisticated technology for the manufacture of pesticides is available only from limited sources, the government is encouraging large industrial houses and foreign companies to participate in the development of this industry. Proposals for foreign collaboration are also being considered on the basis of merit. However, with a view to attaining self-sufficiency and self-reliance the National Laboratories of the Council of Scientific and Industrial Research (CSIR) have been striving hard to develop appropriate technology to fill the gap. The results of the various exercises carried out so far have been very encouraging and the CSIR expects to develop appropriate technologies for a number of items by the end of the current year.

The existing 26 units in the organised sector with a total annual installed capacity of 58,400 tonnes are engaged in the manufacture of a wide variety of pesticides but still a large number of pesticides have to be imported as stated above. There are certain constraints in the nature of the industry which explain its slow growth. Pesticides for use in this country need clearance from the Registration Committee of the Central Insecticides Board. The intending entrepreneurs are required to furnish complete data to the committee on the efficiency, toxicity and safety of the proposed products to enable them to take a view on its essentiality and suitability. Schemes for the manufacture of technical grade pesticides are generally subject to the condition that a specified percentage, normally 50 per cent of the actual production, will be supplied to the non-associated formulators. Moreover, formulation capacity is not permitted unless pesticides proposal is accompanied by a time-bound programme for the manufacture of the corresponding technical pesticides in this country.

Special attention is being paid to the production of such pesticides as do not have persistent residues and cause environmental pollution. In recognition of the health hazards of pesticides, the government has passed the Insecticides Act with the prime objective of ensuring the safety of those who handle pesticides. The Central Insecticides Board has set up a sub-committee on environmental pollution to advise the government on this aspect of the use of pesticides. It may be pointed out that the industry should also take upon itself the responsibility of educating the farmers in the safe use of pesticides causing minimum of environmental pollution.

It also came to light at the annual plant protection conference that adulterated and sub-standard pesticides were on sale at various places. While the government is taking all necessary steps to control such malpractices, the industry should also impose restrictions to curb such unsocial tendencies. It may be pointed that the central government and the state governments have been fully empowered by the Insecticides Act to take necessary punitive steps against those who indulge in such unhealthy practices.

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Credit expansion • Record food procurement • PEC's breakthrough in West Asia • A new paper project

THE RESERVE Bank of India is understood to have tentatively estimated this year's overall additional credit requirements of the economy around Rs 2,000 crores. Of this, the credit incremental to the last year for the food and fertiliser sectors has been assessed around Rs 600 crores—Rs 350 crores for the food sector and Rs 250 crores for the fertilisers sector. The remainder about Rs 1,400 crores credit is anticipated to be required for meeting the needs of the other sectors of the economy. The additional credit provided by banks last year aggregated to Rs 1,250 crores.

The above requirements, it is hoped, can be easily met, for the accrual to the deposits of the banking industry this year is expected to be of the order of Rs 2,600 crores.

strict tailoring

Care, however, is proposed to be taken to see that the additional credit which will be made available to the non-food sectors this year will not be utilised for building up inventories. The actual disbursement is proposed to be strictly tailored to production needs. Even if the demand for credit goes up with the economic growth exceeding current expectations, production is not envisaged to be hampered. Suitable adjustments will be made in the currently drawn tentative credit programme. The assessment of the credit requirements is to be done within the overall framework on quarterly basis. The requirements of the current quarter, it is learnt, were finalised a few weeks ago. The assessment of the second quarter's needs is envisaged to be completed by early July.

Although the target for industrial growth this year has been placed by the government at 10 per cent, the Reserve Bank's credit plan is understood to have taken into consideration a growth of about eight per cent over the year. This is due to the fact that some time will be required for the tempo of activity to pick up in line with the proposed target of 10 per cent.

close scrutiny

Any further general reduction in the interest rates charged by banks on their loans has been ruled out in the interest of containing the prices spiral. Adjustments in some exceptional cases, however, may have to be made. They are proposed to be made if found absolutely necessary after a close scrutiny of the concerned cases—strictly on merit. With a view to alleviating the distress caused to industrial units facing difficulties due to recession in the demand for their products, some rescheduling of loans is not ruled out. But this too is proposed to be done on merits after a thorough examination.

The accretion to the foreign exchange reserves of the country is understood to be continuing unabated. The Reserve Bank is said to be purchasing Rs 60 to 70 crores worth foreign exchange every week from the authorised dealers.

* *

The pace of procurement of foodgrains during the current agricultura year ending this month, suggests tha the output should significantly excee 114 million tonnes—the target set fo the year. According to Agricultur ministry sources, it may be around 11 million tonnes.

Wheat procurement is expected t go up to as much as six million tonnes, exceeding the target by nearly 0.8 million tonnes. Kharif procurement, also around six million tonnes till lately, has already surpassed by a wide margin the target of 4.6 million tonnes.

target surpassed

Wheat procurement had surpassed the target by June 3, although arrivals in the markets were still continuing on a significant scale. It had by then aggregated to 5.27 million tonnes, as against less than 2.8 million tonnes by the corresponding period last year, 2.6 million tonnes in 1971-72, 4.3 million tonnes in 1972-73, 3.2 million tonnes in 1973-74 and a bare 857,000 tonnes in 1974-75. It had exceeded by June 3 also the peak procurement ever done in a year as a whole.

Punjab continued to lead with over 2.4 million tonnes having been procured by June 3, as against 1.8 million tonnes by the same date last year. It was racing towards the target of 2.8 million tonnes.

The procurement in Uttar Pradesh and Haryana—1.34 million tonnes and 0.78 million tonnes—had exceeded the targets of 1.2 million and 0.5 million tonnes set for the two states. The procurement there during the corresponding period last year had been around 420,000 tonnes and 290,000 tonnes, respectively.

Rajasthan and Gujarat too ha yielded more than what was expecte of them—373,000 tonnes as against th target of 200,000 tonnes and 123,00 tonnes as against the target of 50,00 tonnes, respectively.

The procurement in Madhya Prades had been of the order of 160,00 tonnes by June 1, as against 97,000 tonnes by this date last year. The target for the state is 200,000 tonnes. Bihar had procured till then over 54,000 tonnes, as against 32,000 tonnes during the corresponding period last year. Its target is 100,000 tonnes.

The record procurement during the last kharif and the current rabi seasons has pushed up the foodgrains stocks with the government to over 14 million tonnes. As some imports too are still being effected—they are reported to have been of the order of about 2.5 million tonnes during the four months to April—the Agriculture ministry is confident that a buffer stock of 10 to 12 million tonnes would be built up by July. The overall stocks with the government by then may be 16-17 million tonnes.

possibility of export

The next agricultural year's (July 1976-June 1977) target of foodgrains production is expected to be finalised soon. It is envisaged to be indicated to the state governments early next month. Although much will depend on the behaviour of monsoons, the stress being laid on the application of fertilisers to farming in the new 54 identified districts, where potential for the use of fertilisers exists because of cropping patterns and irrigation facilities, should suggest that the government is anxious to raise production significantly further in the next 12 months. The agricultural development programmes are proposed to be pursued relentlessly so that the country cannot only attain self-sufficiency in foodgrains in a normal year, but also should be able to export. The minister for Agriculture and Irrigation, Mr Jagjivan Ram, in fact, observed at a recent press conference here that we may emerge as a significant exporter of foodgrains and other agricultural products in the next three or four years when some of the major irrigation projects get completed.

Mr Jagjivan Ram made this observation while announcing the decision of the Krishna Water Disputes Tribunal. Under the Tribunal's award, Andhra Pradesh, Karnataka and Maharashtra have been assigned utilisation of 800 TMC, 700 TMC and 560 TMC, respectively, out of the total 2,000 TMC dependable flow of the river. The three states should now be able to go ahead with their various projects on the river which, when carried out, are expected to bring an additional 1.2 million hectares under irrigation. A major part of this acreage is in the drought-affected areas. The decision of the Tribunal, Mr Jagjivan Ram stated, was binding on all the parties concerned.

* *

The Projects and Equipment Corporation, a subsidiary of the State Trading Corporation of India, has achieved a breakthrough in west Asia by bagging against severe competition from France, the United Kingdom and Italy, Rs 8 crores turnkey project in Dubai to construct a 72-Km long 132 Kv transmission line. It is to be completed in 18 months in association with M/s EMC Steelal Ltd, Calcutta. who have to their credit a large number of successfully executed export contracts. The implementation work is stated to have already been taken up in right earnest.

The project is expected to open up new vistas of co-operation with the United Arab Emirates which has fairly ambitious plans to develop social amenities—electricity, roads, hospitals, etc.

The railway equipment division of the undertaking has also secured two contracts this month—one for the supply of 30 tank wagons to Zambia and the other for the export of 30 wagons and spares to Tanzania.

During the first two months of the current financial year, the corporation exported equipment worth Rs 9.5 crores, against just about Rs 2.3 crores in these months last year. The total exports of the undertaking last year were of the order of Rs 30 crores. This year, they are expected to go up to Rs 48 crores. The Malaysian wagons order has been executed. The Yugoslav wagons order is nearing completion; so also the Bangladesh wagons contract.

* *

Probably the first non-resident Indian to take advantage of the government's policy of assisting such entrepreneurs in setting up industrial units in the country, Mr M.M. Sehgal, has launched two companies—Sehgal Papers Limited and Sehgal Tissues Limited—to manufacture at the Dharuhera industrial complex in Haryana, fine printing, writing and tissue paper. The unit which will be manufacturing fine printing and writing paper is expected to cost Rs 3.48 crores. The tissue paper project is estimated to cost Rs 7.75 crores. The two projects are likely to go into production by the end of next year. Sehgal Papers Limited is expected to go in for public subscription later this year to raise nearly Rs 91 lakhs. The timing for the public issue of Sehgal Tissues Limited is yet to be decided.

Talking to newsmen here last week, Mr Sehgal disclosed that he would be bringing his own foreign exchange to cover the promotors' share of the equity in the two ventures. This would partly finance the import of machinery and equipment. The excess requirements of foreign exchange for this purpose are to be released by the government.

Sehgal Papers Limited will have a capacity to produce annually 9,000 tonnes of high grade writing and printing paper. Sehgal Tissues Limited has been licensed to manufacture 10,000 tonnes of tissue paper per annum. In the initial stages the production of tissue paper will be based on imported pulp. The tissue paper manufacturing unit alone is expected to save nearly Rs 1.5 crores per annum in foreign exchange.

Oil isn't produced in laboratories. It's there buried under thousands of feet of rock and shale. And that's how deep ONGC's top scientific talents reach. You'll find them wading through mud; crouching over the drill hole, exploring for precious oil.

ONGC's treasure-house of over 23,000 men has always been the driving force behind its quest for oil. Men who include some of the country's topmost scientists, geologists, geophysicists and engineers. And all with a single purpose: to make India self-sufficient in oil.

Telescoping over 100 years into 20 years—the extent of our self-reliance

ONGC realized at the very beginning that self-sufficiency in oil could be achieved only through self-reliance in equipment, personnel and expertise. And with this in mind, ONGC endeavoured to attain self-reliance in that all-important area—expertise. The country already possessed the people and the talents. What was required was to train them in the specialised areas of oil technology. This was achieved through an intensive training programme under which ONGC technicians received training in on-shore as well as off-shore technology— both in India and abroad. It's to ONGC's credit that it has telescoped over 100 years of the best international oil technology into a brief span of 20 years. Today it has developed a high degree of expertise and in-house capability, and carries out most of its operations itself—which, only a few other oil companies in the world do.

The oilmen of tomorrow

ONGC is not only keeping abreast of the technological developments all over the world, but is also developing a reservoir of indigenous talents. Through its training programmes, laboratories, research centres and workshops, ONGC is helping to turn out a fresh, new breed of oil technologists.

ONGC technology takes a trip abroad

ONGC's activities are not confined to India alone. It has been exploring for oil in the Persian Gulf along with three international oil companies—earning India over 500,000 tonnes of crude oil every year. It's also drilling in the deserts of Iraq under a service contract with the Iraq National Oil Co. What's more, ONGC is even exporting its expertise: It has won a contract for carrying out seismic surveys in Southern Iraq and will be drilling for gas—on the tropical island of Songo-Songo—for Tanzania.

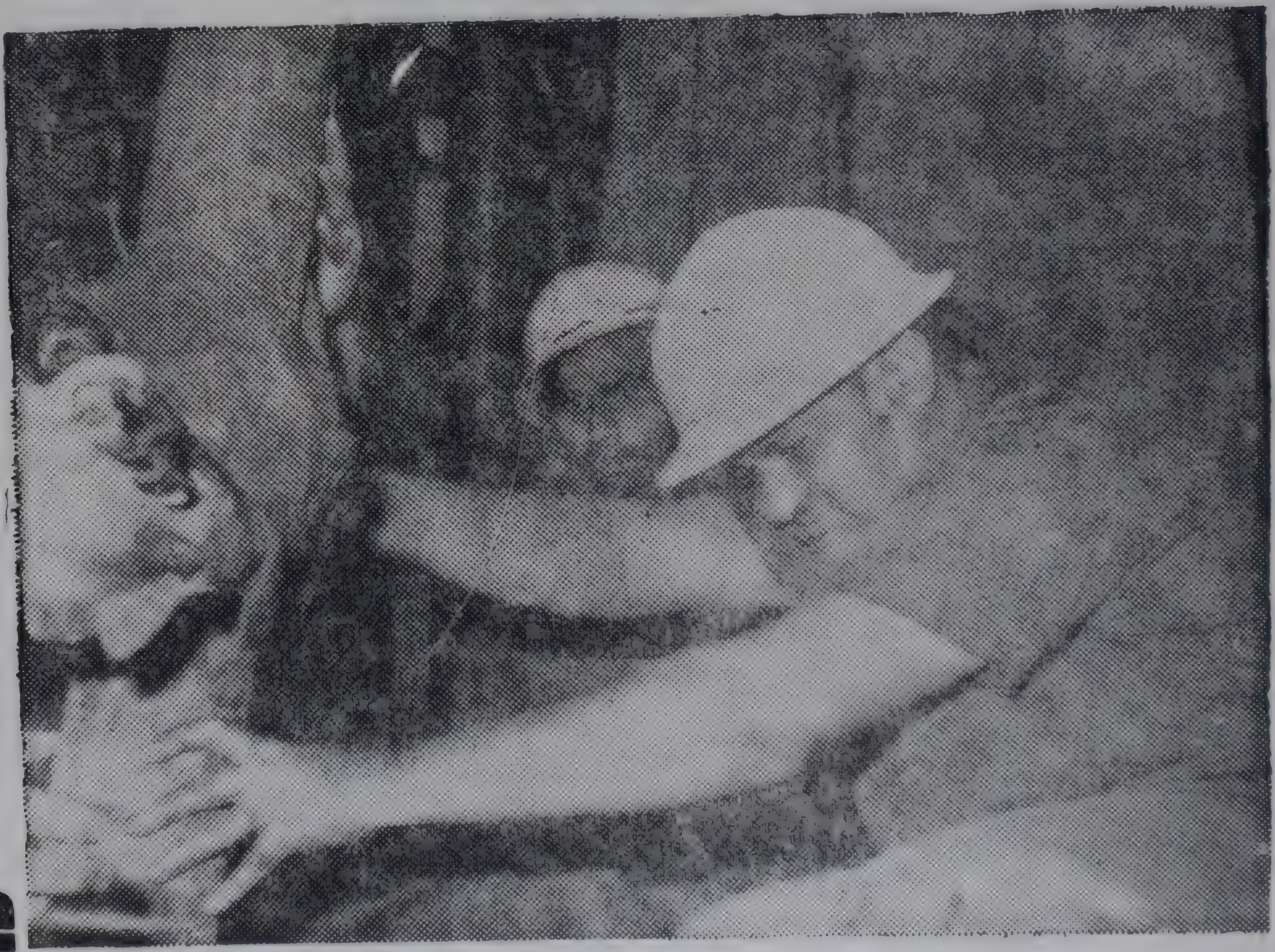
ONGC's scientific talents are constantly reaching newer heights— only to touch greater depths in search of oil.

Oil & Natural Gas Commission
Tel Bhavan, Dehra Dun.

Oil flows
-the nation grows

ONGC

ONGC



Where the country's highest scientific talents touch rock bottom

SAA/ONGC/418

POINT OF VIEW

Role of exports in our economy

D. C. Kothari

This is the speech of Mr Kothari on the resolution on "Pivotal Role of Exports in Our Economy" moved at the Fortyninth annual meeting of the Federation of Indian Chambers of Commerce and Industry. It outlines the broad strategy that should be adopted to produce desired results.

THE MOST important factor determining the prosperity or otherwise of our economy is its still continuing heavy agrobase resulting in an annual growth of per capita income by a bare 1.4 per cent during the period 1950-51 to 1973-74. Thus, the overall domestic production at any time being determined by the agricultural sector, our economy is almost totally determined by the monsoon and the weather, keeping the growth rate down to just 3.7 per cent during the past two immediate decades. Meanwhile, shortages in this all-pervading agricultural sector has put a steady pressure on prices and, therefore, on wages, thus affecting both industrial production and profitability.

hard core

The above is the hard core of our economy still, and whatever be the attractions of the export sector, no one can get away from the hard physical laws governing our agriculture. Two examples will drive home my point. The first is the case of the sugar industry which while from the temporary point of view did succeed in earning some foreign exchange could not, by reasons of dependence upon supply of cane, fully gain a position of permanent advantage in the matter of sugar exports. The second example is the present prosperity of the coffee plantations which is not because of any export drive or policy but because of the failure of good weather in the foreign producing nations.

higher imports

Another factor is that while the value of exports has gone up enormously, that of imports has moved up even higher, and the gap seems to be widening. However, the external reserves position has been steadily improving over the past few years. The reserves which stood at Rs 947 crores in 1973-74 have increased to almost double. I believe, as of February 1976, the reserves stand at an all-time high figure of Rs 1,767 crores. It is interesting to see that the main reason for this has been the remittances from abroad which for the year 1975 were Rs 908 crores as against Rs 507 crores the previous year. The inflow can continue to be expected. Our economy has reached a point of strength where it is able to attract flow of capital from its own citizens abroad. The next step, namely that of attracting flow of capital from non-residents, would seem to be nearer and, here again, a realistic and reasonable approach which has already been adopted will help.

Exceeding even the most optimistic estimates, the exports during 1974-75 amounted to Rs 3,304 crores, showing an increase of Rs 781 crores over the previous year's figure. In terms of percentage the increase was almost a third (31 per cent). But, the total import bill was a record too — Rs 4,468 crores or a rise of 51 per cent, leaving a trade deficit of Rs 1,164 crores. However, foreign reserves are in a fairly healthy state following the improvement in the rupee parity and the crack down on illicit payments racket and, secondly, aid flows should still be quite large even though there may be some decline from the level of last year.

It will be of interest to study the pattern of the export-import gap. We find that crude witnessed an increase of 128.9 per cent while the petroleum products an increase of 41 per cent and chemicals as a whole spurted to 99.2 per cent, fertilisers alone recording a rise of 161.1 per cent while wheat showed an increase of 101 per cent.

increased unit value

As against this, the truth about our export performance is that quantitatively exports increased by 4.9 per cent while by unit value 26 per cent. However, in the long run oil imports may come down significantly in the early 80s. In 1978-79 the use of oil may be 30 million tonnes but half of it will be domestic as against the one-third as at present. There will be less imports of fertilisers. These facts call for a change in strategy.

Since food, fuel and fertilisers account for almost 60 per cent of the import bill it is possible to give some credence to the estimates that the trade gap will have substantially narrowed y 1980-81, even if it does not disappear altogether.

Taking all these together, for the year 1976-77 we may have to increase the quantity of exports by at least 17.7 per cent to provide for a possible decline in the unit value by 5.6 per cent so that the export earnings may remain the same.

The world economic situation is so distorted that the main endeavour of the developed countries is to conserve domestic demand by way of greater tariff and non-tariff protection. For instance, the GSP Scheme of the United States has opened up some opportunities but has closed a few based on the competitive need formula. This formula means that if a country supplies $.25 million worth of a particular product or 50 per cent of the needs of the United States of a particular product in any one year, then it is deemed to have reached such a degree of competitiveness as to pay the prevailing import tariff. This immediately affects a number of products such as leather, sugar, textiles, items like mica, corn products etc.

GSP benefit

Again, the duty free treatment under the GSP does not benefit India entirely because of the long distances between the two countries resulting in increased freight charges etc. *Prima facie*, a developed country like Mexico or any of the South American countries, have acquired by the new scheme a far greater degree of competitiveness vis-a-vis India. However, to the extent our other competitors like Korea, Taiwan, Hong Kong etc, are concerned perhaps we may have an edge in view of the fact that they would come under the competitive need formula and, therefore, liable to tariffs.

It is now possible to go about the business of evolving a broad strategical approach to the export front so that this sector can play its pivotal role in our economy unhindered by other circumstances of a domestic origin.

There is an urgent need for a major push forward in investment during the year especially since it seems to usher in a period of price stability with a tendency towards a drop in agricultural prices and, therefore, of wages. The present peak agricultural cycle with the added advantages of the prime minister's twenty point programme and a containment of the inflationary pull has set the precondition for gearing up the economy and for increasing the export drive.

True, the balance of payments position is widening, prospects of aid are dim, yet the foreign exchange position is not altogether bad. That the situation is well set for a full scale exploitation is all too evident from the boost that has been given to the net inflow of invisibles by larger remittances from Indian citizens abroad. While on the subject, I will be failing in my duty if I do not emphasize the fact that there are still inducements and incentives due to remittances from abroad. The government should totally exempt these from wealth taxation for, say, a minimum period of five years at least. Again, a non-resident remitting his moneys to India is in the position of a person making a new investment altogether in the Indian rupee and as such should be afforded reliefs in respect of income taxation on these moneys remitted.

import policy

Before turning our attention to exports proper, we may consider the new import policy which intends to use exports as a lever of economic growth — "Foreign trade performance is itself an industrial growth output". The Indian economy has been less vulnerable because of its size. Foreign trade is still no more than 12 per cent of the GNP at current prices. Exports now cover a wide range-primary agricultural items, semifinished manufacture, consumer products and capital goods. It has developed a good degree of resilience. Domestic and export demand seem likely to pick up and the prospects are good.

The three objects of the new import policy are—(a) easier and quicker access to import of raw materials, components and spare; (b) eight more industries have been added to the Select List enjoying special consideration, and extending the import replenishment facilities to include forty-six new products; and (c) new policy changes role of import control from a negative policing operation to a promotional one. New Delhi will now let the entrepreneurs have the imported components they seek without too much quibbling over details, as long as they can justify having obained them by their performance.

Even if imports go upto Rs 5,200 crores next year and exports touch Rs 4,450 crores, that is an increase of Rs 650 crores, the trade gap will significantly come down.

streamlining production

Coming down to exports proper, the aim of the government and industry should be to streamline production so as to create a surplus capacity exclusively dedicated to exports, and in the sectors where this capacity does not obtain to impose moderate restrictions on domestic consumption, to achieve the targets without upsetting unduly the domestic prices, which is possible by employing the usual fiscal and regulatory measures on a temporary basis. One may say that this has been achieved as a result of the usual condition of 60 per cent to 75 per cent of export obligation demanded from new units and expansions.

My only plea is that to exact such demand is to place the cart before th horse because a stage comes when th exaction of so high an obligation wi operate as only a deterrent to a building up of capacity. There is need fo a more positive approach here, such that incentives should be offered in such a way as to be related to the percentage of capacity diverted to exports. Thus, any unit which manages to export, say, 50 per cent of its capacity will stay doing so because of the incentives it enjoys in the matter of import of raw materials used for domestic consumption, tax benefits etc. In this connection, I would suggest that the government should be both bold and dynamic in its approach, by even allowing a larger depreciation on the plant and machinery, the products of which are exported wholly or partly. For example, if a unit which devotes 100 per cent of its production for exports, let us say, is allowed an additional depreciation of five per cent, then a unit which exports only 20 per cent of its production should be allowed to earn an additional depreciation of one per cent.

export assistance

We can now turn our attention as to how far the official export assistance operates in practice These, made on the. basis of year to year, immediately suffer from uncertainly. In fact, no exporter is able to forecast his projections and evolve policy for, say, the next three years at least. This is indeed a difficult situation for any exporter for there is nothing permanent about the incentives for which he is eligible just now. Both the cash incentives and the tax benefits must be so fixed as to be available for a couple of years before the expiry of which the new policy should be announced.

Thus, there will be room for an exporter to manoeuvre over a period of time and evolve aggressive policies instead of merely cashing in on a current situation and then forgetting exports altogether. Therefore, I would suggest that at least so far as reliefs from direct taxes are concerned these should be at an appreciably lower rate of both income and wealth taxation on the profits and plant and machinery as can be said to be involved in the export trade as also in import substitution, in addition to a larger depreciation allowance to which I have made reference. New modes of tax incentives for export promotion may be necessary in lieu of cash compensatory allowance. This is in the long run. It is suggested that profits from exports may be taxed at lower rates of 30 per cent for corporations and 50 per cent for non-corporations. An initial depreciation of 25 per cent may also be allowed in export-oriented industries. Further, at least three months before the expiry of the policy, the new policy should be announced.

It will not be out of context here to mention that so far as finance for export is concerned there should be favourable terms of loan—both long term secured loan and short term export finance. The object here is to introduce benefits in terms of concepts which industry knows and understands. For instance, the lending institutions should make it known that so far as the capital involved in exports is concerned, either wholly or in part, they will give one per cent off the usual interest rates and extend the period of repayment from the usual 7 to 10 years. Thus, clear policies should be evolved in respect of both export trade and industry in terms of the concepts they understand and work under, and extended to each individual item of export, depending upon the circumstances.

defeating the purpose

One can understand or even sympathise with the fiscal measure of dear money at home during a period of inflation, but to apply the concept to export trade and industry which *prima facie* earn the foreign exchange with which to quench the domestic inflation is to defeat the very object of exports. One latest industry, namely the engineering industry, which has acquitted itself so well gets export finance at 11½ per cent. Everyone knows how competitive is the field here as also the costs involved. Yet, while we should not be anxious to subsidise a foreign importer by lowering our own credi terms to the Indian exporter, we stil have to make it attractive to the latte so that reasonable quantities of export do take place on a continuous basis This is especially so in respect o turnkey projects involving heavy outlay on capital goods. An attempt has been made by the government by increasing project assistance and design drawing and commissioning etc, from 2½ per cent to 10 per cent, in addition to normal exports of supplies of materials. Further the Projects and the Equipment Corporation (PEC) is making efforts to secure turnkey projects as prime consultants in a number of countries.

ex-im bank

In this connection the answer would seem to be the creation of an export-import bank which will operate as a separate institution and act as a leader in organising export finance at a reasonable price and in adequate quantities. In this connection I am reminded of the criticism of the IDBI that parties do not approach it for export finance. Naturally so because the parties in India feel that cash remittances are not generally permitted and there is little point, therefore, in their approaching the IDBI. Only a specialised bank like the export-import bank will be able to handle this situation by taking a realistic view of preshipment packing credit and postshipment credit. It could also make suitable projections for future operations and ensure adequacy of finance.

Thus, for instance, as against an export of Rs 3,800 crores for the year 1975-76 the credit provided was a bare Rs 700 crores, half for packaging credit and half for shipment credit. The bank which has to supply credit for the domestic trade at a higher rate of interest may not show that amount of enlightened interest to encourage exports for which the interest rates have to be lower. This can be best done only by the formation of an export import bank which will handle this job exclusively, in addition to whatever the existing channels can do. I doubt very much whether the IDBI with its hands full of finance for domestic use (90 per cent) can deal with this matter of exports in a satisfactory manner.

I would merely touch the question of shipping and port facilities. There should be a dovetailing of the export projections and the port and shipping facilities, if we are to avoid bottlenecks. Periodical meetings between the exporters and the port authorities and the shipping interests can go a long way in ensuring a smoother flow.

I will not dwell at length on the subject of invisibles for the only reason that a great deal of initiative has been shown in this regard and the momentum can be maintained and improved upon. Indian banking has already acquired an international network but sufficient enterprise is not being shown in terms of insurance. Perhaps private enterprise may be allowed to undertake insurance business abroad. Our shipping and air services have earned a good reputation and only suffer from limitations of capital required but not of enterprise.

vista opened

There should be a greater reliance based on flows of capital, bilateral trade agreements and keener competition in supplying know-how and undertaking turnkey operations on a global basis. In this connection, a great vista has opened up in new regions of the world, particularly the Middle East, in the matter of forming a consortium for the purpose of exports, as also for consultancy services.

It is not as if further penetration is not possible in the direction of the developed countries. If our country can evolve a consortium to at least accept subcontracts on a global basis a much better and organised export drive will be possible. In fact, this is the way things have worked out to such astounding success in Japan. It is possible to undertake subcontracting work as suppliers of components, ancillaries and other parts.

So far as consultancy is concerned, it is most gratifying to note that our consultancies are earning more and more as the following figures will show:

	(Rs lakhs)
1971-72	84.00
1972-73	72.63
1973-74	121.28

In the matter of turnkey projects India can operate either directly as prime or as subcontractor. It is gratifying to note that the Sondhi Committee on Engineering Exports has identified areas where these are possible. These are:

Prime Consultants

ACSR Conductors, including transmission line towers

Blast Furnaces

Bulk material handling/marine terminal handling/or handling plants
Calcium carbide plants
Coke oven batteries
Construction of dams and hydro-power stations
Construction of railways
Electric pig iron
Ferro alloy plants
General purpose machine tools
General engineering workshops
Mini-steel plants, including rolling mills
Non-ferrous rolling mills
Sheet glass
Steel foundries
Thermal power plants upto 220 MW capacity
Transformers and electric motors manufacturing plants
Wagon building
Wire drawings

Sub-Contracting Assignments

Caustic soda
Coal washeries
Coal and gasification
Fertiliser
Formed coke
Integrated steel plants
Low temperature carbonisatio
Refineries
Sponge iron.

Before, I pass on I will once agai emphasise the need for a consortium exports. Bidding for internation projects requires financial strength runn ing into several hundreds of crore backed up by proportionate technic resources, manpower and manageri skills which it is just not possibl for any single exporter to put u An export house such as Mitsui o Japan can do this by itself because o its ability to obtain subcontracts. W will not be able to undertake multimillion dollar project which keep springing up with such frequency i areas like the Middle East, Africa o South America for the simple reaso that no single exporter has the man power or the capacity for this. But if the problem is approached on the basis of a consortium. many of the difficulties get solved.

trade fairs

Export intelligence and informatio is a highly expert activity and a grea deal more has got to be done in thi regard. I say this because, I believe our exporters had lost a great dea because they were not fully aware o the Asian Development Bank's role an less of its procedure in the matter o tenders. Nor are they familiar wit international practices in bidding and understand that we lost bids in Egyp relating to a brewery for which w have the knowhow and the machiner Again, there should be larger partic pation in international or foreig national trade fairs. Thus, b showing interest in the fair held b the Trade Development Authority i New York and Dallas we were able secure orders for goods worth $ 11 million and the items include transi tors, speakers, builders hardware e Also, better commercial informati can help to boost export of drugs a pharmaceuticals to the east Europe

Soviet bloc countries for which I believe there is considerable scope.

Again, the west Asian scene is humming with activity for mammoth expansion schemes, much of which is within our easy reach, such as civil construction, agriculture, chemicals, cement, power generation etc. Indeed the scope for supplying technical and consultancy services in Asia, Middle East, Africa and South America is really very wide, and in this connection perhaps we can think of pooling of commercial intelligence and wide publicity so that opportunities may not be missed by default.

computerised system

We may even think of computerised systems of intelligence under the aegis of bodies such as the export promotion councils, federation of indian export organisations, Indian Investment Centre and so on. So far as the major trading partners of India are concerned like the United States, Germany, Japan, United Kingdom etc., I would strongly advocate the setting up wherever non-existent of joint business councils meeting periodically. Even though there are official commissions for this purpose, at the point of business taking place, the meeting is between businessmen of the two countries and hence my suggestion.

The above suggestions are not to be considered in isolation but in addition to the fairly well-developed bilateral relations during the past years. These are best done on the basis of joint commissions and mutual business co-operation committees. FICCI itself has given the lead in this regard by evolving joint business councils with Iran, Japan, South Korea and the United States of America. We have a similar reciprocity with West Germany also. While the Joint Commissions are of government to government level and, therefore, purely official, the business councils are really the bodies that produce results. It will be necessary for the status of these councils to be improved so that they acquire both advisory and executive functions and thus reduce considerably the communication gap which is inevitable at the level of the joint commissions.

Often we hear the pathetic complaint that we barely have an exportable surplus, our vast domestic market thus standing in the way of any need to seek diversion abroad. This deviation of attention from exports has had its secondary effect of producing things for the domestic market at any cost so that India today is plagued by two evils which are:

(a) no desire to produce for the domestic market at international prices, and

(b) an inertia to move into the global markets since there is sufficient domestic offtake and, any way, the international prices are lower.

Very soon during the long spell of planned economy this impasse has been realised. The government began to prop up the export front with incentives, introduced quality control, undertook reporting of foreign commercial intelligence and so on, including removal of procedural delays etc. Nevertheless much more needs to be done by both government and industry.

Bearing in mind, therefore, that there is a new pragmatism in the government's policy and the government is keen and so is industry on exporting larger quantities of goods in an effort to survive at the foreign exchange front, it is not unreasonable to expect that with India's technical skills, managerial ability and scientific development it should be possible for her to keep up the anticipated rate of growth in most of the sectors and also to further diversify her range of products. No country today can afford to sit back complacently, particularly on the export front, and when world competition is so keen Indian exporters and importers and the government will have to gird up their loins to see that they stand fairly high up in the queue of growth for exports. And, this is the only way by which this country will be able to pay for its imports which are, in fact, the lifeline of industry.

Eastern Economist 30 Years Ago

JUNE 14, 1946

In recent weeks much criticism has been levelled against the import control system of the Commerce Department. Needless to say that much of it has come from those who have not been able to get licences for the import of several good from the sterling as well as the dollar areas. It is therefore difficult to arrive at a dispassionate conclusion by scanning through these accusations. It may be pointed out that the criticisms have been mainly against the administration of the controls rather than against the controls themselves. It is surprising therefore that some responsible quarters have asked for a complete revocation of the controls in view of these difficulties. It is advocated that a rapid return to normalcy should be ensured. But it is worthwhile bearing in mind that normalcy does not mean the conditions prevailing in the pre-war days, least of all in the industrial field. The war gave an opportunity to us to develop in several directions and a significant start has been made in the production of many goods so that an import policy has to provide the conditions for the continued growth of the industries started during the war which will be useful to a peace-time economy, and for the establishment of others needed in view of the desire to raise our living standards.

The interim tariff enquiry instituted recently has been charged with the task of recommendations for affording protection to the war grown industries. A careful scrutiny of our import trade in the first eight months period of the financial year 1945-46 would seem to suggest that imports have actually flowed into the country and that the controls have not been restrictive of imports as seems to have been widely believed.

Climate for bold planning?

Sagittarius

A new approach is required when attempting to execute projects as clearences by financial advisers and physical disabilities may have a retarding effect and cause a shortfall in expenditure.

THE FIFTH Plan has now the prospect of brisker implementation and the consequent achievement of fairly impressive physical targets as a result of the larger outlay in 1975-76 and 1976-77. The big increase in Plan expenditure by Rs 1,874 crores to Rs 7,852 crores in the current financial year marks a step up of over 31.4 per cent and may indeed pose serious problems for many government departments for utilising allocation and realising targets. A new approach is required when attempting to execute projects as clearances by financial advisers and physical disabilities may have a retarding effect and a shortfall in expenditure of up to Rs 500 crores may take place, if a central cell does not monitor the progress of various projects and quick steps are not taken to eliminate bottlenecks.

liberal aid

The climate for bold planning has never been so favourable as in the current year. This is because of effective control of inflationary pressures and the availability of physical resources for Plan schemes in the required volume. Any shortage of the latter in particular directions can be overcome with imports and foreign exchange is no problem, thanks to liberal aid from the Consortium and a high level of foreign exchange reserves.

The estimates of financial resources from indigenous sources have also been framed conservatively as savings from current revenues are bound to be much larger than visualised. In spite of the recessionary trends in certain directions until recently, it can be expected that the collections through customs duties, direct taxes and excise duties will exceed budget estimates by Rs 500 crores notwithstanding the lowering of taxes under some heads.

availability of funds

The amounts realised through net borrowing in the form of open market loans and bonds, direct assistance from the Life Insurance Corporation, surpluses of industrial undertakings in public sector and collections under small savings campaign can be easily an extra Rs 500 crores making available to the centre and the states additionally Rs 1,000 crores. Even allowing for an increase in non-Plan expenditure, aggregate Plan outlay can be raised to Rs 8,500 crores with the content of deficit financing unchanged at Rs 320 crores. What is needed in the present context is flexibility of approach and a mechanism which will facilitate the use of allocations effectively and the transfer of surpluses likely to emerge, in some sectors due to unexpected developments, to other sectors in need of additional financial aid.

The sectoral allocations have been uniformly increased and there has been even a more than proportionate rise in respect of irrigation and fertiliser projects. The provision for transport and communication has been raised by only 25 per cent, and for power by 32 per cent. It is now to be re-examined in the light of recent developments how the allocations for irrigation and power projects and oil
and fertiliser schemes can be increas
further without effecting a reduction
other directions. While the pace
construction of fertiliser units in t
public and private sectors will have
be hastened and the tempo of oil e
ploration and exploitation can
heightened, there is need for perspecti
planning in regard to irrigation ar
power schemes. The proposals f
completing ongoing irrigation schem
and developing command areas
major irrigation projects are indee
laudable and larger outlay in th
sector should be helpful in boostin
agricultural production. But sufficie
attention has not been paid to th
possibility of constructing dams, canal
and distribution systems with the hel
of different agencies.

inhibiting factor

Excessive preoccupation with the exe
cution on a departmental basis can hav
an inhibiting effect. With the expertise
the disposal of construction engineerin
firms and ample availability of stee
cement and other physical resource
there is no reason why medium-siz
irrigation projects cannot be constru
ed within three years and simultaneo
work undertaken on distributi
systems. Sufficient importance has al
not been attached to lift irrigati
schemes particularly in Madh
Pradesh, Uttar Pradesh, Bihar a
Orissa and it is indeed disappointing
note that there was an increase in
number of energised pumpsets by o
150,000 to 2.76 million in 1975-76.
of this increase, the southern reg
alone accounted for over 80,000 un
The target for 1976-77 can be ea
400,000 energised pumpsets as
requisite supplies of pumps and mo
are available and it is also expected

there will be an increase in power availability.

The achievement on the power front has no doubt been more impressive lately and for the first time in the planning era additional generating capacity of 1720 MW was created in 1975-76 taking the total to 20,170 MW. But there was a serious shortfall as compared to the target of 2,600 MW of new capacity. It has been explained that there were delays in construction schedules, shortage of steel and cement, non-receipt of critical equipment, delays in boiler construction and so on. It is not clear whether there was also inadequacy of financial resources though it is reported that the state electricity boards in Tamil Nadu and Andhra Pradesh had chronic financial problems. In Uttar Pradesh too the board's finances are in bad shape. But these handicaps should not prevent the centre from providing the required additional resources or asking the banking system to segregate Rs 200 or 300 crores for Plan purposes out of its increasing deposits, and being given as loans instead of as subscriptions to bonds.

new technique

The Planning Commission is in a position to evolve new techniques and lay down conditions for servicing new projects. The expenditure on energisation of pump sets, construction of irrigation projects, creation of generating capacity and augmentation of transport facilities will be worthwhile. It should not be overlooked that the target of 2598.2 MW for 1976-77 will be facilitated by the completion of spillover schemes for 800 MW from 1975-76 and the capacity created freshly in the current year will be only 1800 MW. The heavy electrical units in the public sector have a capacity of producing as much as 3800 MW while the undertakings in the private sector can provide the required quantities of transmission towers, cables, transformers, switchgears etc. Why should not therefore be bolder planning on the power front?

No attempt has also been made to eliminate unevenness in power consumption in different regions. Tamil Nadu, Maharashtra and West Bengal between them account for over 30 per cent of the all-India generating capacity, with a population of not more than 130 million. If there has to be a levelling up of per capita consumption of electricity, aggregate generating capacity, based on the standards of the three regions referred to above, will have to be 35,000 MW. It will of course be difficult to build up industrial loads in a short period though the development of power intensive industries as is now happening in Rajasthan, Madhya Pradesh and Karnataka may result in larger blocks of power being easily absorbed.

It will, therefore, be necessary to pay special attention to the requirements of these regions, besides encouraging the consumption of electricity for agricultural purposes as is now being done in Tamil Nadu, Karnataka and Andhra Pradesh. Uttar Pradesh and Bihar have need for a larger number of energised pumpsets besides ampler availability of electricity for new industrial units. A perspective approach is, therefore, necessary for power planning and the newly-created central agencies should not hesitate to take up special responsibilities if the state electricity boards concerned do not live up to the expectations. With the greater emphasis on the implementation of schemes relating to the agricultural, irrigation and power sector, the process of planning can be quickened besides being at the same time non-inflationary. The financial target for 1977-78 can then be easily Rs 11,000 crores! The new challenges should be met as the prerequisites for bolder planning exist.

RECORDS AND STATISTICS

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Effects of land reform on mode of agriculture

D. V. Kasar & Dr T.K.T. Achary

Uncertainty of tenure causes the tenants not to make any permanent improvements which could increase production on the farms in the long run.

IT CAN be theoretically argued that the lands operated by owners tend to be cultivated more intensively than those operated by crop share tenants. Owner cultivation of land will add labour and capital to land as long as the additional returns exceed the additional costs, but share tenants add labour and capital only up to a point where additional cost equals the tenants' share of the additional produce. Again uncertainty of tenure causes the tenants not to make any permanent improvements such as digging of wells, farm buildings, levelling or soil conservative practices which help to increase production on the farm in the long run. This can be well evidenced if one reviews the findings of the land reform studies conducted in the past.

durable investment

Dandekar and Khudanpur[1] in their enquiry observed that the durable investment expenditure like digging of irrigation wells were relatively far lower on tenant operated farms than on owner operated farms. Desai[2] reported that only 22 per cent of the part tenants effected improvements on leased lands in Gujarat. In a study conducted by George[3] in Andhra Pradesh, it was observed that "the new owners did better than the protected tenants". He concluded that "given the security of occupancy and the protection from the state with necessary aid, the independent farmer is bound to give a progressively better performance of his labour skill and enerprise." Jha and Salunke[4] on the basis of their survey in Bihar observed that "share croppers did not invest anything on any improvement item in land. Other tenure groups have invested substantially in buying and reclaiming the land". This means that the system of land tenure prevalent in an area has considerable influence on the volume and pattern of capital formation.

landowners' investment

Similarly, Chauhan and Agarwal[5] studied the pattern of investment in Sri Ganganager district of Rajasthan. They concluded that land owners have invested largely in irrigation, farm machinery and equipments and land improvement for increasing agricultural production while share croppers have invested mosty on milch cattle. All this leads us to conclude that in the case of farmers who have no secured rights in land, there has been little investment in the farm so as to enhance the productive capacity in agriculture. This also implies that the prevalence of a large number of tenants at will in any agrarian system tends to depress the level of agricultural production.

It is against this background of thinking that legislative measures were taken by the Bombay state government in post-independence period, aimed at the regulation of tenancy and as far as possible establishing direct relationship between the state and the cultivator. The Amendment ("Land to the Tiller") to the Bombay Tenancy and Agricultural Lands Act made in 1955 was a comprehensive piece of legislation, brought into force from August 1, 1956 and, subsequently, its impleme tation from April 1, 1957 sought abolish tenancy cultivation in Bomb state with minor exceptions. On t Tillers' Day i.e. April 1, 1957, eve tenant was legally entitled to purcha the land held by him as a tenant, su ject to the condition that he cultivate the land personally and his total hol ing did not exceed the ceiling limit.

An attempt was made to examin the effects of ownership rights of th leased-in land that might be conferre on tenants on the cultivation practice by way of a case study of a singl village. It was hypothesised that th conferment of ownership rights on tenants might have resulted in bringin about changes in the farm management practices on the leased-in land

effects of transfer

The effects of the transfer o ownership rights to the tenant would broadly be visualised by th changes in cultivation practices and th basic investments they have made i increasing the output from old lease in land. Of course, one cannot clai all these changes to the effects o ownership rights as the developin agricultural technology would also ha a share. So the effects are broad viewed in terms of the basic improv ments that the tenants have ma after getting the ownership rights leased-in land. This could have be tested by analysing the situation agriculture in respect of land utiliz tion, cropping pattern and permane improvements on land — on t leased-in land before Tillers' Day a after transfer of ownership rights the same land to tenants with d consideration to the passage of time

In view of this, one village viz, Kalas from Indapur block of Poona district was selected for the study. The village is characterised by dry land agriculture. Of the total 124 tenants in the village 34 tenants (27.42 per cent) covering nineteen per cent of the leased-in land got benefited by the provisions of the act. The information in respect of the leased-in holdings, which have been passed on to tenants after Tillers' Day, for the year 1956-57 about the land use and cropping pattern was obtained from the revenue records maintained at the village level while the information regarding the permanent improvements that the beneficiaries had made on the leased-in lands after the transfer of occupancy rights and the cropping pattern and land use for the year 1968-69 was obtained by personal interview method. The data so obtained were analysed to arrive at certain inferences.

increased cropped area

It was observed from the study that the beneficiaries had increased the gross cropped area of the purchased land by eight per cent by bringing the grazing and stony land under plough. The area under irrigation was also increased by nine per cent. However, the rainfed area remained more or less the same. Regarding the cropping pattern, no significant changes were observed as the area under dry crops remained the same while little increase in the irrigated area under rabi, jowar was noted. The change in cropping pattern was confined to 23.5 per cent of the beneficiaries who sunk new wells on their newly acquired lands. These farmers have changed their old cropping pattern by substituting irrigated crops viz., rabi jowar, cotton and sugarcane for dry crops such as jowar, bajra and pulses.

The study also revealed that 47 per cent of the sample farmers had made some permanent and/or temporary improvements on the purchased land by way of digging new wells, repairing old wells, reclaiming land for cultivation and adopting soil conservation practices. The remaining farmers did not invest as they had no surety of getting the water on the purchased lands. The cultivation practices of these farmers, therefore, did not show any marked change. However, they were following the tillage operations regularly. On the whole, the effects of tenancy abolition in terms of changes in farm management practices were not so thorouh going. This was mainly due to the lack of suitable infrastructure especially the irrigation water and financial facilities to the farmers in the area of study.

considerable influence

The study, therefore, concluded that the transfer of the ownership rights in land to the cultivating classes alone does not help to bring about substantial changes in agriculture. However, it must be conceded that the ownership rights in land have a considerable influence in making the permanent improvements on land for greater agricultural production. It is, therefore, essential that the land reform measures aimed at the redistribution of occupancy rights in land are also accompanied by necessary aid in terms of agricultural inputs such as irrigation facilities, modern technical know-how and finance.

Incidentally, the 1972 bill amending the Agricultural Land Ceiling Act of 1961 in Maharashtra had received the assent of the President and had been brought into force from September 19, 1975. Due to implementation of this amendment, 150,000 hectares of land are expected to become available for distribution among the landless agricultural labourers and the members of scheduled castes and tribes. It has been planned by the Maharashtra government that the surplus land which would be available through the implementation of the amendment will be distributed to weaker sections of society on or before June 30, 1976. The cultivation of the land made available to the landless persons would certainly depend on the provision of other perquisites such as irrigation, seed, fertilisers along with the latest scientific knowledge and credit facilities through nationalised banks. In the absence of the above facilities, the beneficiaries of land reform legislation would not be able to obtain the optimum combination of the factors of production to obtain maximum possible output from a unit of cultivation. The unit of cultivation will suffer due to defective and unbalanced combination of the inputs and will not produce enough to establish the economic roots of these people on a sound footing.

It is, therefore, suggested that the transfer of a piece of land to the landless labour should be supplemented by the provision of necessary agricultural inputs such as irrigation, farm power, seed, fertiliser and the finance at subsidised rates through government or cooperative organisations established in the rural areas so that he will take initiative in tilling the land intensively. This will help in achieving the desired results.

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Economic and social cost of inflation

David H. Freedman & Robin Broadfield

Taking a hard look at the inflationary spiral in the United States and the United Kingdom for 1965 to 1975, the authors report:

** Periodic attempts to stem the upward trends of inflation by measures which resulted in higher unemployment were a conspicus failure.*

** Despite bigger money wage increases, accelerating inflation and higher tax payments have caused average take home pay to fall.*

** Inflation has also increased the costs of social security and threatened the real value of benefits.*

INFLATION in recent Years has become one of the most critical problems facing the western industrialised world. In most of the industrialised market economies prices rose at annual rates of between three and five per cent during the early 1960s. From about 1967 onwards, however, inflation in many of these countries began to accelerate rapidly to reach—by late 1974 and early 1975—double digit proportions. Among the larger industrialised nations, Japan, Italy and the United Kingdom experienced inflation rates in excess of 20 per cent per year.

The current recession, the most severe of a number of cyclical downturns to occur in the post-war period, has helped somewhat to reduce these high rates of inflation, but at the cost of the highest unemployment levels of the last 40 Years and sharp declines in real income.

The fear of inflation stems primarily from concern over its potential or actual impact on economic and social progress. Accelerating inflation disrupts commercial activity through the element of uncertainty it introduces into the market mechanism, and it distorts savings and investment decisions.

If inflationary pressures increase, government may be forced to adopt sub-optimal economic growth strategies in order to restrain them. Inflation also may have considerable income redistribution effects, causing society-wide stresses and strains.

In order to increase understanding of the economic and social costs of inflation, the ILO has undertaken research which included case studies of the recent experience of the United States and the United Kingdom*.

The impact on employment of inflation and of policies to combat inflation was a major area of emphasis of th research. An examination of th relevant data (see Table I) indicate clearly a concurrent upward trend both inflation and unemployment ov the period. The rising levels unemployment resulted to a large exte from relatively slow rates of grow in real national product, particularly the United Kingdom.

Very much influenced by traditiona theories of the causes of inflation which suggest that inflation can b reduced by cutting demand for good and services, both the US and th UK governments periodically restraine domestic demand in an effort to contai inflationary pressures, thereby con tributing to increases in the level o unemployment.

If one policy lesson is clear from th ILO findings it is that increases i unemployment, far from reducing th level of inflation, have in recent yea been accompanied by an increase in th rate of inflation.

workers' earnings

In the United States between 19 and 1972 the average annual increa in compensation per man-hour current dollars for the manufacturi sector was 6.2 per cent. This compar with an average annual rate of increa of 3.7 per cent during the 1959- period. However, when measured constant dollars, the average rate increase declined from 2.3 per ce (1959-65) to 2.0 per cent (1965-72).

This suggests that unless one tak

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*See "Inflation in the United States, 1959-74: Its impact on Employment, Incomes and Industrial Relations" by David H. Freedman, *International Labour Review*, Vol. 112, Nos. 2-3, August-September 1975; and "Inflation in the United Kingdom 1964-74: Its Effects on Employment, Incomes and Industrial Relations" by Robin Broadfield, *International Labour Review*, Vol. 112, No. 5, November 1975.

account of the rise in prices, the nominal increase in earnings can be misleading. In fact, in the United Kingdom, throughout the 1965-74 period, the average weekly earnings of manual workers increased more rapidly than prices, on an annual basis. Non-manual workers' real earnings rose, on the whole, more slowly than manual worker's (see Table II). The rate of increase was only 0.7 per cent in 1973, and for 1974, real earnings actually declined by 3.4 per cent. For both groups, real earnings showed considerable year to year variation.

Although, relatively speaking, inflation was more moderate in the United States than in the United Kingdom during the years 1965-74, rates of increase in real earnings in the former were lower still. When, for instance, average hourly earnings in manufacturing were adjusted for changes in the consumer price index, growth in real earnings was shown to be less than 1.0 per cent or even negative for each of four years—1969, 1970, 1973 and 1974—in which the consumer price index exceeded five per cent.

When account is taken of workers' tax and social security contributions, the increases in take-home pay were found to be still smaller than the increases in real earnings.

In the United Kingdom, rising money wages brought more and more workers into the tax net and raised the proportion of income being taxed of those already in it. Between 1965 and 1974, the average rate of increase of real net earnings of male employees in the United Kingdom was under 1.3 per cent per annum. Between 1966 and 1969 there was no improvement at all. The resultant frustration may have contributed at least in part to the pay explosion which followed. Average real net earnings rose again in the period 1970 to 1973 before falling approximately 3.7 per cent in 1974.

In the United States there is similarly no automatic adjustment of tax schedules to compensate for the effects of inflation. However ad hoc downward adjustments in tax rate schedules

TABLE I

Inflation, Unemployment* and Growth in the UK and USA: 1965-74

(percentage changes at annual rates)

Year	United States			United Kingdom		
	Consumer price increase	Unemployment rate	Real GNP increase	Retail price increase	Unemployment rate	Real GDP increase
1965	1.7	4.5	6.3	4.5	1.4	2.9
1966	2.9	3.8	6.5	3.9	1.4	1.7
1967	2.9	3.8	2.6	2.5	2.2	1.8
1968	4.2	3.6	4.7	4.7	2.4	3.5
1969	5.4	3.5	2.7	5·4	2.4	2.1
1970	5.9	4.9	—0.5	6.4	2.5	1.9
1971	4.3	5.9	2.7	9.4	3.4	1.3
1972	3.3	5.6	6.4	7.1	3.8	2.4
1973	6.2	4.9	5.9	9.2	2.6	5.6
1974	11.0	5.6	—2.1	16.1	2.6	—0.2

*Due to the use of different measurement methods, the UK and the US unemployment rates are not directly comparable.

TABLE II

Percentage Changes in Average Earnings at Current and Constant Prices: 1965-74

Year	United States				United Kingdom			
	Private non-farm earnings		Manufacturing earnings		Manual workers' earnings		Non-manual workers' earnings	
	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices	Current prices	Constant prices
1965	3.8	2.0	3.2	1.5	8.5	3.7	8.6	3.8
1966	4.5	1.5	4.2	1.4	4.2	0.4	4.4	0.6
1967	4.7	1.9	4.0	1.1	5.6	3.6	4.5	2.5
1968	6.3	2.2	6.4	2.1	7.8	2.2	6.4	0.8
1969	6.7	1.1	6.0	0.7	8.1	2.7	7.9	2.5
1970	5.9	0	5.3	—0.7	13.5	6.1	13.3	5.9
1971	6.8	2.5	6.2	1.7	11.1	1.7	12.4	3.0
1972	6.7	3.2	6.7	3.4	15.7	7.8	11.6	3.7
1973	6.8	0.7	6.8	0.7	15.1	5.2	10.6	0.7
1974	7.7	—3.1	8.1	—2.6	20.6	3.5	13.7	—3.4

etween 1965 and 1972 largely offset he shifts to higher tax brackets resulting from rising incomes. Moreover, $23,100 million federal tax cut in March 1975 was influenced by the steep erosion in real net earnings throughout 1974, illustrated bythe six per cent decline in after-tax real weekly earnings of an average worker with three dependants between November 1973 and November 1974.

An assessment of the impact of taxation in a period of rapid inflation, however, cannot be made by considering federal taxes alone. In the United States, for instance, state and local governments, confronted by escalating costs and increased demands for services, enacted new taxes and raised the rates of old taxes.

General sales taxes, particularly when applied without exemptions for food and certain other basic needs, and proportional or nominally progressive levies on state and municipal income or wage earnings tend to hit low and lower-middle income wage earners particularly hard.

Furthermore, continual resort to higher property taxes, the financial backbone of almost all local government tax systems, has added to the fiscal burden of the middle and lower-middle income home owners who have not joined the exodus from the cities.

Inflation additionally has posed problems for the operation of national social security systems, while private pension schemes have been affected to an even greater extent. Even if there existed full indexation, inflation would erode the real value of benefits between periods of adjustment, the size of loss being determined by the amount of inflation and the time elapsed between adjustments. Yet indexation is soldom complete.

At the same time, inflation and the increasing proportion of retired persons in the total population are major factors contributing to an escalatio of the costs of financing social securit benefits for the aged. In the Unite States, from 1937 to 1950 the socia security tax rate paid by both employe and employee was one per cent of th worker's earnings up to $3,000. As o January 1976 the tax rate was 5.85 pe cent of earnings up to $15,300. Nevertheless, social security outlays now are greater than the revenue taken in through payroll deductions, presenting a considerable long-range financing problem.

Thus as the experience of the United States and the United Kingdom clearly demonstrates, there are many serious economic and social costs associated with recent inflation. The evidence suggests that a return to relative price stability in the western industrialised world is necessary to the efforts to steer a course back to the path of sustained income growth and high levels of employment.

Industrial democracy in West Germany

N. K. Barooah

There is no doubt that the industrial peace that the Federal Republic of West Germany enjoys is largely due to the controlled behaviour of the trade unions and the success of co-determination.

IN MARCH 1976 the West German federal parliament passed the bill on *Mitbestimmung* (co-determination), the legal framework for the conduct of industrial relations in West Germany. This was the subject which long troubled the relations between the ruling coalition partners, the Social Democrats (SPD) and the liberal Free Democrats (FDP), until they finally agreed upon a compromise last December. The problem was how to expand the existing system of co-determination with due regard both to the demand of the trade unions for workers' participation in industrial management on parity basis, and the insistence of the employers on preserving their final control over what they consider their property.

Although the new law which will come into effect on July 1 this year, has not completely satisfied the Federation of West German Trade Unions (DGB) or their advocates in the SPD, it goes a long way in fulfilling a nearly twentyfive year old demand of the DGB. The earlier achievements in the field of co-determination in West Germany—which are also the principal achievements hitherto—date back to the earliest period in the life of the federal republic.

Workers' participation in West German private industries operates at two levels—on the shop floor and on managerial boards. The Works Constitution Act of 1952 (later replaced by that of 1972) revived the old tradition of industrial democracy in Germany in the Weimar Republic by bringing into action an elected works council in every industrial establishment employing more than five persons. This council is not a joint body but consist entirely of workers. Its members are elected in a secret ballot by al employees of the enterprise for thre years. Its size varies according to th size of the plant: it may consist of just one member representing five to 20 workers or may have thirtyfive or more, representing more than 9,000 workers. Companies with several divisions and joint companies must have a combined central works council. The young employees under 18 years of age have a representative of their own.

Besides the right of consultation with the employers on matters of general interest, the works council enjoys certain defined rights of co-determination and consultation in social, personnel and economic spheres. In the social sphere it has a parity with the management in deciding matters like hours of work, work-breaks, time and method of payment, holidays and internal welfare arrangements. In the personnel sphere the management cannot act alone. Appointment, dismissal, promotion, allocation of work, transfer and regrouping all need advance consent of the works council.

joint committees

In regard to economic matters, in the enterprises having more than a hundred workers the law provides for the setting of a joint 'economic committee' composed of between four and eight member, one half supplied by the workers and the other by the employer. This committee is entitled to information on all important matters such as manufacturing methods, automation, production programme and the financial standing of the enterprise. Shutdowns, staff cuts, reduction and alterations in the scale of production require advance consent of the works council.

In the case of major redundancies, the employer is bound to set out a 'social plan' in conjunction with the works council to rehabilitate and protect the affected workers. If there is a deadlock between employer and the works council on matters where the works council is entitled to co-determination, either side can bring the matter before a joint arbitration. Where statutory rights are involved the final decision lies with the labour court.

To make themselves independent and efficient, the members of the works council enjoy special protection and a number of privileges, ranging from complete freedom from production work throughout the period of council membership to periodic long leave to attend courses of further education and training. The employer has to provide all the facilities and bear all the costs relating to the works council.

democratic role

Co-determination is the outcome of the combined efforts on the part of the Allies, the unions, and the German political leaders immediately after the war, to prevent the German industrialists from playing again in the future their inglorious and undemocratic role. The unions than were particularly concerned about the great concentration of German heavy industry in a few hands and especially in the Ruhr. It is, therefore, no wonder that the unions acquired the highest form of co-determination in coal and iron and steel industries at the very start of their agitation for sharing power in management in 1951. The Co-determination Act of 1951 gave equal representation to the workers and shareholders on the supervisory board of every joint stock and limited companies in coal and steel.

Unlike the single-board Anglo-American system, German companies have two boards: The supervisory board (Aufsichtsrat) and the executive board (Vorstand). The supervisory board which meets only four or five times a year, appoints the executive board (composed of people not belonging to it), scrutinises the annual accounts of the company and is responsible for all major policy decisions, such as mergers, takeovers or vital labour organisation schemes. The executive board conducts the day-to-day management of the company.

All supervisory boards contain an uneven number of members: eleven, fifteen, or twentyone. Thus, on a supervisory board of eleven members, five are appointed by the shareholders and five by the workers. The eleventh member—known as the' neutral man'—is co-opted by the two sides of the supervisory board. He represents the public interest and has a casting vote in the event of a deadlock. In the coal and steel industries the workers are also represented on the executive board by an elected 'labour director'. He is usually entrusted with wages, personnel and welfare questions.

In other joint stock and limited companies outside coal and steel having more than 500 workers, the existing system of co-determination provides only one-third share to the workers on the supervisory board. This has been the greatest snag in the effective participation of labour in management and the unions have been asking for the extension of the coal-steel model to all other big industries. However, the unions have their critics and more so in the liberal Free Democratic Party, the partner in the government. The critics argue that, pushed to its logical conclusion, co-determination would petrify the structure of industry and could end in elimination of free enterprise which brought the German economic 'miracle'.

below expectation

It is this argument which the SPD had to encounter while pleading the case of the unions. Moreover, they had to be extra-cautious not to offend their coalition partners on the eve of the coming federal election in October. As a result, the new measure on co-determination, although an advancement in some ways, falls much short of DGB's expectations.

The new measure, which comes into operation on July 1, 1976, provides equal numbers of seats to the shareholders and the entire employees on the supervisory board of every company with 2,000 employees or more. Thus by mid-1978, 650 West German companies will be jointly governed by capital and labour. The supervisory board will be made up of 10 representatives from the shareholders and 10 from the employees. In addition to whatever trade union members from the work force of the company get into the supervisory board, the DGB will have the right to nominate three of the labour representatives of the supervisory board who need not be employees of the company concerned. A 'labour director' in the executive board, similar to one in coal and steel industries is also provided for.

Two provisisons in the new measure have, however, failed to satisfy the unions. First, it gives the edge to the shareholders' side on the supervisory board in the event of an irreconcilable deadlock. For in such an event, the board chairman, who is generally appointed by the shareholders, has a casting vote. Second, it makes the senior executives a separate group within the work force and provides them with the right to nominate two candidates to the supervisory board. The trade union leaders argue that the senior executives would always take the side of the employer in case of conflict between labour and capital.

Showing their dissatisfaction with the new measure the DGB has already made it known that the unions deman for the extension of the coal-stee model of co-determination to othe industries would continue. In thi endeavour the union leaders woul undoubtedly prefer the path o negotiations only, for it is not a question of securing good wages or conditions of work, which the Germa workers already have, but of sharin power with capital in partnership Meanwhile' there is no doubt that th industrial peace that the Federa Republic enjoys is largely due to th controlled behaviour of the trad unions and the success of co-determination.

"Home of Man"

Geoffrey Lean

Will we be able to feed the four billion people of the human family—and six or seven billion expected by the turn of the millenium? These and other questions were discussed at the Habitat Conference on Human Settlements held in Vancouver, Canada, from May 31 to June 11, 1976.

MAN IS carving out his very destiny on the face of the earth. And just as a palmist hopes to read the future in the lines of a hand, so we can expect to see the future of our civilisation in the pattern we are etching on the planet.

For as each of us settles and puts down roots, as we till the ground and build our shelter, as we throw up cities, choose our transport, and set about acquiring goods, we are helping to determine the outcome of most of the great questions of our time.

Will we manage to feed the four billion people of the human family—and the six to seven billion expected by the turn of the millenium? Can we provide them with energy, shelter, education, health care and work?

Or will we see our civilisation collapse in the failure to carry out these tasks; in the social disorder rising from gross inequalities between rich and poor; in the chaos of a world where many nations and some terrorist groups are armed with nuclear weapons provided by the peaceful expansion of atomic energy; under constraints imposed by the pollution and resource depletion brought on by greed and waste?

These questions were discussed at the Habitat Conference held in Vancouver, Canada, from May 31 to June 11, 1976. Almost every nation of the world was represented at HABITAT, the United Nations Conference on Human Settlements. Its job was to look at the whole man-made environment—the pattern settlements are etching on the earth—and to begin to work out how it can best be arranged to solve the problems ahead.

That in itself is a hard enough task in a world which is already in crisis and which is expecting its population to double in 35 years. It is made doubly difficult by the fact that the pattern o settlements is in the middle of its mos fundamental change in history.

Throughout the centuries man ha overwhelmingly lived in the countryside. Even in 1900—after the grea European industrial revolutions—only 250 million people, 15 per cent of a population of 1650 million, lived i urban areas. As recently as 1960 th urban population was only a third o mankind. But by the end of th century it will have jumped to mor than three billion people, half or mor of the citizens of the globe and as man people as drew breath on the enti planet only 16 years ago.

The scale of what is happening, say a recently published book, can only b compared with the movements of t continents at the dawn of time—li "the Indian subcontinent detachi itself from Antarctica and sweepi across the Indian Ocean to its viole collision with Asia's land mass alo the Himalayas."

It goes on: "We are in the full ti of this great sweep. Its final con quences lie ahead. But already ground shakes. We should hear, if were listening, the mutter of the approaching storm".

The book, by any measurement one of the most important of the decade, will have been studied by the delegates who met in Vancouver. Titled "Home of Man", it was commissioned by the Canadian government, the hosts to the conference, precisely to concentrate the nations' minds on the problems and on their possible solutions. It constitutes the unofficial report to the conference.

catalytic role

Its author, Barbara Ward, is not only one of the world's foremost authorities on the issues. She has played a catalytic role in the whole international re-examination of the human predicament over the last years. With Rene Dubos she wrote "Only One Earth", the unofficial report for the Stockholm Conference on the Human Environment. She was at the forefront of preparations for the Rome Food Conference, and has been at the centre of the efforts to work out a new, and more just international economic order between rich and poor nations.

The book did nothing to minimise the immensity of the problems on the conference table at Vancouver. There is the alienation, congestion, pollution, inflation and even bankruptcy building up in the cities of the rich world. Amid all the affluence are pockets—and ghettoes—of deep poverty and deprivation.

Far worse are the problems of cities in developing countries. One third of the citizens already live in appalling shantytowns and these are doubling in size every four and a half years. They are not only swelled by population growth, but by the greatest migration in history—a ceaseless tide of people leaving the neglected countryside. And by their very departure, the countryside which is supposed to provide food is left more destitute still.

And enormous proportions of the people in the shantytowns are unemployed or underemployed. Half of all the cities in poor countries have no regular water supply. More have no sanitation system. Eighty per cent of the families of Calcutta have to live in only one room, and that does not count the thousands who have only the streets. World-wide we need to build 47 million houses a year to keep up growing numbers and repair the worst evils of the past.

But this is a hopeful book and—better still—a practical one. It shows that the problems can be solved and that a constructive pattern of settlements can be evolved. And it goes into detail about how these jobs could be done. The book is packed with proposals; from how to cope with land speculation to how to ensure the building of enough low-cost housing; from how to save energy in the rich world to how to exploit local sources in the poor world; from how best to create a sense of community in rich cities to how to provide clean water, sanitation and the health and education that really benefits the people in poor ones.

constructive suggestions

There are also constructive and documented suggestions for effective public transport systems; workable structures of city governments; distribution of cities and regional development; siting industry and jobs so they best help the people; getting the best results by involving people in decisions about their future; fighting pollution. and blight; and many others. Since Barbara Ward largely reserved judgement on nuclear power in "Only One Earth", it is particularly significant that she now calls for it to be phased out as a source of energy.

Above all the book deals with how to organise settlements and economies to grow the food that is desperately needed, create jobs and end appalling poverty. The strategies are based on two complementary principles; the absolute priority of looking after the needs of the poorest, and the over-riding importance of recognising the immense potential of the poor people themselves.

She writes: "If societies could find some way of seeing these millions as a prime source for the energy, dedication, intelligence and work needed to build the new settlements it will be discovered that prodigies can be performed".

Given a chance, the small farmers of the poor world can produce twice as much food per acre as sophisticated modern farms. Given a chance, the people of the shantytowns have shown a remarkable ability both to build and improve their own houses and communities, and to find jobs and create businesses.

Giving the people a chance means, among other things, land reform and roads to market for farmers; labour intensive and local industries for others; clean water, education, health care, credit and encouragement for both. If governments can devote their limited resources to such priorities as these, says Barbara Ward, they will both eliminate poverty and build their nations. It would both slow the trek to the cities and make the cities workable.

In the final analysis, solving the problems on a willingness of governments to share what they have equitably, and a willingness of rich countries accept a New Economic Order.

change of attitude

More even than money, the new world needs a fundamental change of attitude if it is to be born. Barbara Ward shows that the modern facts of life and the wisdom of the saints and sages unite to show us how we will have to live. As she has written elsewhere: "From the beginning of time people have heard the 'still, small voice' of obligation and brotherhood. When they have listened, society has worked. When they have refused to listen, society has broken up".

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GWALIOR SUITING ® of the people for the people

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TRADE WINDS

Rupee-Pound Ratio

THE RUPEE was recently pegged 3.03 per cent higher per pound sterling to yield a new middle rate of Rs 16 to the pound against Rs 16.50 introduced on April 23. This upvaluation corrects the recent depreciation of the rupee in terms of the US dollar, DM, yen and other select foreign currencies. The depreciation stemmed from the continued weakness of the pound—India's intervention currency—during the last five weeks.

This is the seventh upvaluation of the rupee since it was delinked from sterling on September 25, 1975, when the pound was valued at 18.30. At the new rate of Rs 16, the revaluation of the rupee in terms of sterling during the last eight months works out to 12.56 per cent.

Technology for Frozen Foods

The National Physical Laboratory (NPL) has achieved a major breakthrough in low temperature technology, which will not only boost India's export of frozen foods and ice-cream but effect foreign exchange savings of about Rs 100 crores a year. Domestic production based on the development of this technology is expected to start soon as a result of collaboration between NPL and the engineering division of the Indo-Burma Petroleum Company (IBP), a public sector enterprise. IBP will now manufacture a wide range of low temperature equipment including liquid nitrogen plants, air liquefiers, cryoprobes and carbon dioxide solidifiers, which are at present imported.

The equipment will help to preserve for long periods frozen foods and ice-creams and also accelerate the country's dairy development programmes and revolutionise ophthalmic surgery. IBP recently launched the manufacture of highly sophisticated high vacuum equipment based on Bhabha Atomic Research Centre. The country's entry into the advanced field of low temperature technology is another significant step towards self-reliance and large-scale foreign exchange savings.

In contrast to the conventional refrigeration techniques, which provides working temperatures round —10°C, low temperature technology — scientifically known as cryogenics—can achieve temperatures as low as —200°C. This technology, which is based on the use of liquefied gases, has almost unlimited applications.

World Bank Aid for Telecommunication

The World Bank has agreed to give a loan of $80 million for the development of the telecommunication industry in India. This is sixth World Bank credit to be given to India for modernising its telecommunication industry since 1962. With this the total credit will go up to $368 million.

Mr S.M. Agarawal, secretary, ministry of Communications, stated that the largest share of the total loan—$55million would be utilised for the import of raw materials and components for various telecom manufacturing units. Of the total loan, $ 25 million worth of exchange equipment and long distance transmission equipment would be imported.

Mir Qasim in Central Cabinet

Syed Mir Qasim, former Chief Minister of Jammu and Kashmir, has been appointed a cabinet minister at the centre, according to a communiqe issued from Rashtrapati Bhavan on June 6. The communiqe added that the President, on the advice of the Prime Minister, appointed Syed Mir Qasim as minister without portfolio.

While the largest share of the loan amount would be allocated to the Indian Telephone Industries, Bangalore, ($ 27 million), the Hindustan Cables at Rupnarayanpur would receive $ 22.5 million worth of raw materials.

The loan also provides for import of raw materials worth half a million dollar for the Hindustan Teleprinters Ltd, Madras. Besides, three million dollars would be set aside for research and training and two million dollars for posts and telegraphs factories located at Calcutta, Bombay and Jabalpur.

During the first three years of the loan there is no repayment liability. The entire loan would be paid back over a 23-year period in equal instalments.

World Bank Loan for Seeds

This country will implement the first phase of a national seeds programme with the assistance of a World Bank loan of US $25 million. The main purpose of the project is to increase foodgrain production through increasing the availability of high-quality cereal seed. However, cotton and vegetable seeds are also included in the project. It will cover development of seed production and processing facilities in four states: Andhra Pradesh, Haryana, Maharashtra and Punjab. The project will help improve storage, marketing, breeder and foundation seed production, and seed technology research.

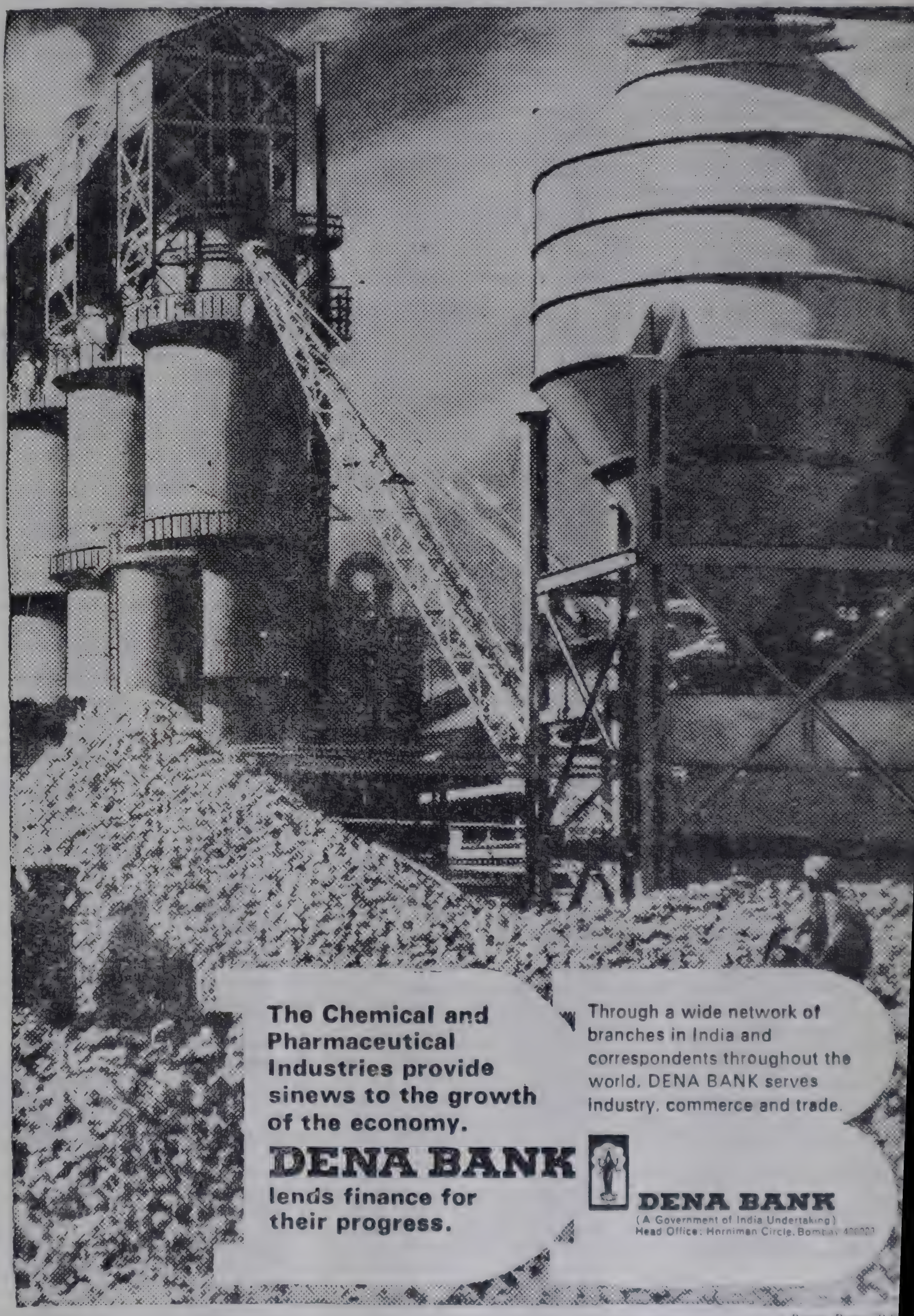
This is the second operation of the World Bank in support of seed production in India. In 1969, the Bank made a loan of US $13 million for the Tarai seeds project. The Tarai experience has been a significant factor in the development of the present project. The project is designed to increase cereal seed output by 73,000 tons a year or 60 per cent of present output. Estimates are that the annual incremental cereal production at full development of the project will be 200,000 tons of wheat, 170,000 tons of paddy, 95,000 tons of maize, 200,000 tons of sorghum and 250,000 tons of pearl millet. Total value of these crops will be about US $145 million a year. The project will also increase and improve the production of cotton seed, valued at US $3.7 million a year.

The Bank loan to India is for 20 years, including 5 years of grace, with interest at 8½ per cent per anuum. Bank funds for seed technology research, quality control, training and technical assistance will be channelled through the Indian government. The Food and Agriculture Organization of the United Nations (FAO) joined the Bank and India in the preparation of the project under the Bank/FAO Cooperative Programme.

Modernisation of Domestic Appliances

The Development Commissioner, Small Scale Industries, has selected the domestic appliances industry in the small-scale sector for the purpose of intensive assistance for modernisation. This plan forms part of the drive being launched by the department towards the improvement of consumer products.

At a meeting recently convened in Delhi by the Development Commissioner, the modernisation problems and solutions in respect of this industry were discussed. This meeting was attended by the representatives of Small Scale Domestic Electrical Arpliances Industry Association, big trading houses, National Instit of Design, Ahmedab National Small Industr Corporation, Indian St dards Institution, Tr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Ministry of Defence

Indian Ordnance Factories

General Managers of the following factories invite separate sealed tenders/applications for supply of the following:

Ammunition Factory, Kirkee, Poona-3:

(a) CZ 102 (85/15 Brass) Strip, 0.40 mm ±0.025 mm thick x 44.45 mm ± 0.25 mm wide Hardness 55 to 75 VPN. Kgs. 2500.

(b) Lead Paroxide. Specn. IND/ME/591(b) Kgs. 810.

(c) (i) Straw Board/Grey Board 77.5 cm x 65 cms x 2.54 mm Grade 'A' Specn. IS 2617-1967 with amendment No. 1. Nos. 31921. (ii) Straw Board Grey Board 77.5 cms x 65 cms x 1.27 mm thick Grade Specn. IS 2617-1967 with amdt. No. 1. Nos. 13900.

(d) Paint ready mixed air drying brushing semiglossy finish for general purposes BUFF MIDDLE ISC 359 of IS: 5–1961. Specn. IS: 168–1973. Litres. 2050.

(e) Anvil as per AKF Drg. No. KF/SK-1247 dt. 15.3.76. Closing date: 9.7.76 for (a) 16.7.76 for (b), 20.7.76 for (c) (d) & (e).

Tender forms available @ Rs. 2/– each item on application upto 19.6.76 for (a), 23.6.76 for (b) and 30.6.76 for others.

High Explosive Factory, Kirkee, Poona:

(a) Ready mixed point air drying matt for brushing and general purpose, olive green ISC 220 of IS-5-61 conforming to Specification IS-168-1973. Qty. 3,840 Litres.

(b) Paraffin Wax Hlln. Specn. JSS-1016. Kgs. 9000.

(c) 'Scale Gun' WS (Descaling of Water Scale) or Similar. Kgs. 5000.

(d) Paper Kraft type paraffin waxed ammunition size 112 cms x 183 met. in rolls. Specn. JSS-1208. Metres. 22,200.

(e) Cloth Calico White 914.4 MM Wide, Specn: IS 5088 (Part I) 1969. Metres. 2,550.

(f) Cambric Cloth 914.40 MM Width Specn. IS 5038 (Part I)—1969. Metres. 2100.

Closing date 6.7.76 for (a); 9.7.76 for (b) (c) (d) & (e) and 16.7.76 for (f).

Tender forms available @ Rs. 2/– each item by M.O. upto 21.6.76 for (a) to (e) and 29.6.76 for (f).

Postal orders will not be accepted.

Gun Carriage Factory, Jabalpur:

(a) TE No. 76/2/56A/VP: Bracket to Drg. 81-41801-2209. Qty. 6600 Nos

(b) TE No. 76/3/56A/VP: (i) Dip Stick to Drg. VFJ/13/0484 1100 Nos (ii) Tank Lid to Drg. VFJ/13/0505—2200 Nos

(d) TE No. 76/5/56A/VP: Strap Assembly to Drg. No. 81-97460-5145. Qty. 6600 Nos.

(d) TE No. 76/6/56A/VP: Bracket with segment to Drg. No. 9123–35–00775. Qty. 3900 Nos.

(e) TE No. 76/7/56A/VP: Oil Can Carrier to Drg. No. BSA 1146. Qty. 1960 Nos.

Closing date 8.7.76. Tender forms available @ Rs. 5/– each item by postal order upto 7.7.76.

Ordnance Factory, Dehradun:

Box Gun Sighting equipment 4A Complete as per Assembly Drawing No. C.I.I.–299. Qty. 170 Nos.

Tender forms available @ Rs. 10/– by Crossed Postal Orders upto 10.7.76.

Ordnance Factory, Katni:

(a) Tallow Specn. IS 887/1968 for Animal Tallow Gr. I/First Revision. Qty. 4000 Kg.

(b) C.I. Moulds for Brass Slabs of size 267 mm x 51 mm x 914 mm as per Drg. No. KAT/MP 315 dt. 25.1.74. Qty. 30 Sets. Closing date 8.7.76. Tender forms available @ Rs. 5/– each item by Cash or Postal Orders upto 26.6.76.

Ordnance Factory, Khamaria, Jabalpur:

Truck Elevating Hand Lift Capacity 1800 Kg. Size of lifted frame 1145 x 608 mm width and 216 mm height in lower position 228 mm plus 50 mm lift frame made of 75 mm x 50 mm Angle Iron 200 x 75 mm Solid rubber tyred Wheels. Four Wheeled each wheel to be 4 to 5 Kgs. Unit—6 Nos.

Closing date 2.8.76. Tender forms available free upto 1.7.76.

Ordnance Clothing Factory, Shahjahanpur:

Yarn Woollen 450 Tex Natural Grey shade spun from: Type 'A' 100% indigenous wool of medium quality having average wool fibre diametre of 40 mercons. Qty. 20,000 Kgs. Specn. IND/TC/4050.

Closing date 2.7.76. Tender forms available @ Rs. 5/– by M.O. or Cash only upto 25.6.76.

Ordnance Factory, Tiruchirapalli:

(a) Plate Butt (B1/1005–001666) Qty. 12,000 Nos. to Drg. Ds Cat. No. 1005–001666 (Metric) DC(I) 11267–SA.

(b) Trap Butt Plate (B1/1005-001669). Qty. 12,000 Nos. to Drg. Ds Cat No. 1005–001669 (Metric) DC(I) 11055-SA.

Closing date 14.7.76. Tender forms available @ Rs. 5/– by Cash or Postal Orders upto 23.6.76.

Ordnance Factory, Aruvankadu:

One Centrifugal Pump for Nitric Acid Circulation—Capacity 450 lpm at 15 M.

Tender forms available free on application upto 29.6.76.

Ordnance Factory, Dum Dum, Calcutta:

Alloy Aluminium Sheet, Soft tempered corresponding to I.S. Specn. 737 SIC. Size 0.71 mm thick x 2400 mm x 1200 mm. Qty. 3046 Kgs.

Closing date 25.6.76. Tender forms available @ Rs. 5/–.

Ordnance Factory, Muradnagar:

(a) Sand Silica Coarse as per our Specn.—2500 M/T.

(b) Sand Silica Fine as per our Specn.—1650 M/T.

Closing date 8.7.76. Tender forms available @ Rs. 10/– upto 23.6.76 by Bank Draft of Crossed Postal Orders or M.O.

Ordnance Factory, Chanda:

Lead Sheet 2440 MM x 1220 MM x 2 MM ±0.1 MM thick to Specn. IS-405–1965. Qty. 3,750 N Kgs.

Closing date 12.7.76. Tender forms available @ Rs. 10/– each item by Crossed Postal Orders upto 18.6.76.

Ordnance Factory, Bhandara:

(a) T.No. SP/3018/112: Electrodes Stainless Steel Columbium Stabilised INO x AW + Ch 2.5 mm — 8668 Nos.

(b) T.No. SP/3018/113: Spares for NAC plant pipe silicon Iron 'S' Shaped for Vapour Condenser in NAC Plant as per Drg. No. OFBA/AI/291 (detail 'A'). —8 Nos.

(c) T. No. SP/3018/114: Battery Automatic 12 Volts 25 Plates 180/190 AMPS at 20 Hrs Rate.—18 Nos.

(d) T.No. SP/3018/115: Bricks ACID and Heat Resisting Set containing Bricks Marked Nos. 1505/1 to 1505/63, 1505/1 to 1505/70, 1505/74 to 1505/80 to Drg. No. OFBA/AI/135.—6 Sets.

(e) Potassium Nitrate Grade-I conforming to the Specification IS: 301/1963. Size all Passing 125 Micrometre IS Sieve. Qty. 3260 Kgs.

(f) Lime Unhydrated with 60% Calcium Oxide—450 Mt.

Closing date 22.7.76 for (a) to (d) and 20.7.76 for (e) & (f). Tenders forms available @ Rs. 2/–each item up to 19.6.76. for (a) to (d) and 22.6.76 for (e) & (f) by Cash or M.O.

Ordnance Equipment Factory, Kanpur:

(a) T. No. PV/152: Canvas Flax (TOW) 56 Cms—Mtrs. 24220. OR Canvas Union Cotton/ Jute Scoured 56 Cms. Specn. No. IND/TC/02092 (b) & as per amendment from CIT & C Kanpur. Or IND/TC/02091(d) respectively.

(b) T. No. PV/153: Timber SISSOO Sleepers 150 MM x 200 MM and UP x 2.44 M and UP Cudm. 77000. Specn. No. IND/GS/754 (K).

(c) T. No. PV/7: Steel Round 22 MM dia (C-30) Kgms.—46200. Specn. No. IS: 1570–1961 (C-30).

(d) T. No. EO/451/2/5/MM. (i) Portable Lifting & Pulling m/c (Max. Pull) Cap. 5 Tons. —1 No. (ii) Jib Crane Hand Operated Cap. 1½ Tons —3 Nos. (iii) Gear Block with max. Lift of Chain about 35 feet Cap. 2 Tons—2 Nos. (iv) same as (iii) but Cap. 3 tons—2 Nos. (v) Chain Block (Morris) with :9 Metres Lift Cap. 5 Tons—1 No. (vi) Trollies—10 Nos.

(e) T. No. EO/451/2/8SY: Blacksmith Forge Furnace——8 Nos.

Closing date 1.7.76 for (a) & (b); 8.7.76 for (c); 29.7.76 for (d) and 2.8.76 for (e).

Tender forms available @ Rs. 5/– for (a), (b) & (c) and Rs. 10/– each for (d) & (e) by Postal Orders.

Ordnance Factory, Kanpur:

(a) Die Chaser 12.70 mm BSF for 25.4 mm coventry Die head (R.H.) to OFC Drg. No. T. 384461/1—240 Sets.

(b) Die Chaser 20 TPI for 19.05 mm coventry Die head to OFC Drg. No. T. 38445/2.— 240 Sets.

Closing date 29.6.76. Tender forms available @ Rs. 15/– by Postal Orders upto 22.6.76.

Ordnance Parachute Factory, Kanpur:

T. No. CF-438/83/PROV/Tender: (i) Hook Snap—Nos. 2,430 Spec. No. ADRDE/7 (d). (ii) Sliding Bar Buckle—Nos. 4,850 as per Prov. Drg. No. C165/GS/14/61.

Closing date 2.7.76. Tender forms available @ Rs. 10/– by Cash or M.O. upto 22.6.76.

NOTE: Other details and specification etc. will be available alongwith the tender forms. Tender fees are non-refundable. For further details Indian Trade Journal may also be seen.

CORRIGENDUM

Ordnance Factory, Dum Dum, Calcutta:

Phospher Bronze Rod 70 MM dia ± 1.5 MM to Spec. No. BS-2874/Pb-102 M. Tender forms will now be available @ Rs. 10/– by Crossed Postal Order upto 15.6.76. The advt. issued earlier during 1st week of May '76 may be treated as cancelled.

Ordnance Equipment Factory, Kanpur:

The opening date regarding Web Thin O.G. (SC-314) 32 MM — Mtrs. 11,700, has been extended to 28th June, 1976.

Ordnance Factory, Chanda:

Tender Inquiry No. 1518/Advt/41-PV dt. 28.2.76 regarding supply of Cap End (for container 17B) and Cap End (for container 26B). The opening date for the above has been extended from 24.5.76 to 16.6.76. Other details remain same.

davp-685(52)/76.

development Authority and ministry the of Commerce. The following decisions were taken:—

(i) Though there are 500 units in the country in the small-scale sector which manufacture domestic electrical appliances, the major concentration of this industry is in Delhi and Bombay. Delhi was, therefore, selected for the purpose of modernisation of this industry.

(ii) The domestic electrical appliances made in the small-scale sector are mostly marketed by large trading houses. Suitable guidelines will have to be evolved with regard to sub-contracting arrangements for this industry in close consultation with the big trading houses. While evolving these guidelines, the points to be considered would be: design and technical assistance by large houses; the target of order; firmness of price; terms of payment; guarantee for performance; and replacement of spare parts.

The National Institute of Design, Ahmedabad, would conduct an eight-week 'design clinic' in August 1976 in Delhi for the benefit of those small-scale units which manufacture domestic electrical appliances. It was also decided that ISI would conduct a survey of small-scale domestic electrical appliances manufacturing units of Delhi shortly. It would spell out measures which should be taken by those units for the purpose of adoption of ISI certification mark, including safety standards. There are about a dozen small-scale units manufacturing sophisticated items like geysers, washing machines, cooking ranges, mixers and grinders, hot cases, hot plates and room coolers, etc., which already have good testing facilities. It would not be difficult for these units to introduce ISI certification mark for their products.

Another important decision taken was to establish a functional industrial estate for units manufacturing such appliances in cooperation with Delhi Administration. This decision was taken in view of the fact that most of the small-scale units in Delhi are located in non-conforming areas and have been given notice to vacate. This proposed industrial estate will have common facilities for electroplating, design, testing, etc.

Edible Oils in Cooperative Sector

The National Cooperative Development Corporation has decided to formulate a master plan for the development of edible oil processing in the cooperative sector. This plan will incorporate projects separately for five years' and ten years' duration. This decision has been taken in view of the importance of edible oils as an item of mass consumption. The implementation of the master plan will be based on the processing of groundnut, mustard, gingely, coconut, cottonseed, rice bran, linseed and salseed oils. The NCDC has already assisted 24 large sized oil complexes comprising oil mills, solvent extraction plants and refineries. It is hoped that the entry of cooperatives in this field would exert a healthy influence in the marketing of these commodities.

At a recent meeting of the Board of Management of the NCDC under the chairmanship of Mr A. C. George, union minister of state for Industry and Civil Supplies, the establishment of three large oil-seed complexes was sanctioned involving an outlay of Rs 30.51 million. These would be set up at Devangere in Karnataka, Anantapur in Andhra Pradesh and Barwaha in Madhya Pradesh.

Non-Credit Cooperatives

The non-credit co-operative structure recorded substantial growth during the year ended June 1974. The number of non-credit societies, both agricultural and non-agricultural, increased to 155,500 with 21.4 million members as on June 30, 1974, as against 150,516 societies with 20.4 million members a year before. The co-operative marketing structure as at the end of June 1974 comprised
National Agricultural
operative Marketing F
ration, 27 state marke
societies, 376 regional
centrel marketing socie
and 3,278 primary marke
societies (excluding 61 so
ties in Jammu and Kash
and 6 societies in Nagala
the data in respect of wh
are not available).

Of the 3,278 prim
societies, 2,688 were gene
purpose societies and
societies dealing in spec
commodities such as cott
arecaunt, coconut, tobac
fruits and vegetables. T
3,278 primary market
societies had a total me
bership of 3.1 million a
working capital of Rs
crores in 1973-74 (Rs
crores in 1972-73). Th
sold goods worth Rs
crores (Rs 716 crores
1972-73), agricultural p
duce accounting for 3
per cent and agricultu
requisites for 31.8 per ce

The predominant positi
in the field of process
continued to be held
the co-operative su
factories. Out of the
factories at the end of J
1974, 86 were in product

IMF Sale of Gold

The International Monetary Fund sold 780,000 ounces of gol
$126 an ounce at auction on June 2 beginning the disposal of on
the world's largest gold holdings. The gold auction, which was the
of many planned by I.M F. was held to benfit the world's poo
nations.

The I.M.F. had decided to auction the 780,000 ounces at
initial auction. But officials took nearly eight hours after the
were opened at 11 a.m. to decide the successful biders and the p
All successful bidders will pay the same amount. The I.M.F.
decided ahead of time not to disclose the names of successful bid
in order to encourage maximum participation in the sale. Bids
received for a total of 2,368,000 ounces. The prices at which
were submitted by successful bidders ranged from $ 126 to $ 135 o
and averaged $ 126.98.

uring 1973-74. They crushd 14.6 million tonnes of ane and produced 1.62 nillion tonnes of sugar alued at Rs 315 crores, gainst 1.64 million tonnes f sugar valued at Rs 257 crores produced in 1972-73. Total sales of sugar and its by-products increased from Rs 302 crores to Rs 351 crores. Of the 204 co-operative cotton ginning and pressing societies at the end of June 1974, 162 societies were engaged in ginning of cotton, against 154 societies in the previous year. They ginned 3.3 lakh tonnes of cotton and pressed 8.5 lakh bales of cotton, against 4 lakh tonnes and 9.2 lakh bales, respectively. The other agricultural processing societies had engaged themselves in activities such as paddy-husking, oil crushing and processing of fruits, vegetables and other commodities.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of April, 1976, the seventh month of the season 1975-76 was about 3,92,000 tonnes as against 5,80,000 tonnes during the corresponding period last season. This brings the total production during the first seven months of the season 1975-76 to about 41,25,000 tonnes as against 4454,000 tonnes during the corresponding period last year.

The off-take of sugar from factories during the month of April, 1976, was about 269,000 tonnes for internal consumption and 75,000 tonnes for exports as against about 257,000 tonnes for internal consumption and 94,000 tonnes for exports in the corresponding period last season. The total despatches in the first seven months in 1975-76 was 21,10,000 tonnes for internal consumption and 783,000 tonnes for export as against 18,92,000 tonnes for internal consumption and 524,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on April 30, 1976, was about 24,39,000 tonnes as against 28,66,000 tonnes on the same date last season.

Steel Output

Steel production has crossed one million tonnes in the first two months of the financial year 1976-77. The total production of saleable steel from all the steel plants for April-May 1976 comes to 1.044 million tonnes against the target of 963,700 tonnes. The production for the first two months of 1976-77 is 38.7 per cent higher than the production for the first two months of 1975-76. During May, 1976, a total of 534,200 tonnes of saleable steel was produced against the target of 481,900 tonnes. The production in May, 1975 was 407,200 tonnes.

Bhilai Steel Plant accounted for the maximum production of 152,000 tonnes during May, 1976, followed by TISCO's 113,300 tonnes, Rourkela's 95,100, Durgapur's 77,700 tonnes, Bokaro's 51,700 tonnes and IISCO's 44,400 tonnes. All the steel plants except TISCO exceeded the target during the month.

Habitat Meet

Delegates from over 140 countries met at Vancouver in Canada recently under the auspices of the United Nations for an international conference on human settlements. The Indian delegation to the conference was led by the union minister for Works, Housing and Parliamentary Affairs, Mr K. Raghuramaiah. The conference discussions were supported by reports, films and slides on the subject prepared by each of the participating country.

The conference did not aim at signing treaties or agreements, but hoped for exchange of ideas and experiences gained by various countries in solving similar problems concerned with the planning and maintenance of human settlements.

Industrial Production

The index of industrial production for February 1976 stood at 131.9 as against 131.5 in January 1976, on the basis of 1970=100. The index showed a rise of +21·2 and +15.6 points over the corresponding month of 1974 and 1975, respectively. All these figures are, however, provisional.

Facilities for Non-Resident Indians

A more liberal attitude towards remittances from non-resident Indians abroad is expected to add substantially to the foreign exchange reserve this year. The liberalised scheme extending facilities to invest in Indian industry—even allowing them to invest in equity in the existing industrial enterprises—is expected to go a long way in the inflow of savings of the middle-income group of Indians abroad. The minister of state for Industry and Civil Supplies, Mr A.C. George, told a news conference recently that the government was thinking of going a step further: it was examining how far non-resident Indians abroad

Index of Industrial production for the period between January 1974 and February 1976

Month	1974	1975	1976
January	117.9	122.6	131.5
February	110.7	116.3	131.9
March	121.8	124.6	
April	109.0	112.8	
May	110.2	111.4	
June	110.9	108.3	
July	116.2	119.1	
August	112.7	118.9	
September	112.3	120.1	
October	112.6	118.3	
November	113.7	119.9	
December	123.1	133.4	
Average:	**114.3**	**118.8**	

could be involved in playing a role in the process of dilution of equity of 100 per cent foreign-owned companies.

Mr George pointed out that but for the liberal scheme of remittance, India's foreign exchange position would not have been as comfortable as it was today. Despite the enormous trade gap of Rs 1,165 crores in 1975-76, the country's foreign exchange reserves touched Rs 1,060 crore-mark as on May 26, 1976 against Rs 500 crores in May 1975. He attributed the improved foreign exchange position to remittance by Indians abroad under the scheme which was launched in November 1975.

The most important liberalisation, Mr George said, was permitting overseas Indians to repatriate capital and profit if they wanted. This was done on the basis of experience in banking where hardly everyone withdrew all the deposits at the same time though theoretically they could do so.

Names in the News

Mr P.D. Gupta has been appointed as chairman-cum-managing director of the Bharat Gold Mines Limited in place of **Mr I.M. Aga.** Mr Gupta was earlier Deputy General Manager in the Bharat Gold Mines. The mines of the Bharat Gold Mines have been worked continuously for over 90 years and are among the deepest in the world.

Mrs Sumati Morarjee, Executive Director of Scindia Steam Navigation Co Ltd was re-elected chairman of the Narottam Morarjee Institute of Shipping at the first meeting of the re-constituted Governing Council of the Institute held in Bombay on June 1, 1976. **Capt R.D. Kohli,** Executive Director of the Shipping Corporation of India Ltd was elected Vice-Chairman.

Mr Gopal Shivabhai Patel has become the new chairman of Unit Trust of I
He succeeds **Mr J.S.**
Mr Patel was for
general manager of
General Insurance Co
ration of India.

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COMPANY AFFAIRS

Punjab National Bank

TOTAL DEPOSITS of Punjab National Bank increased during the year 1975 from Rs 826.4 crores to Rs 959.6 crores, growth rate being 16.1 per cent against 11.6 per cent in 1974. Sustained efforts, backed by dynamic schemes tailored to customers' multifaceted requirements, yielded good results. growth rate compares favo-This urably with that of the banking system at 16.4 per cent in 1975 and 14.9 per cent in 1974. The deposit growth at rural centres was higher at 24.3 per cent reflecting the concerted approach to mobilise rural savings.

Credit increased from Rs 480.9 crores to Rs 611.6 crores, an increase of 27.2 per cent. Consistent with priority needs, the credit was mainly channelised to food, public and priority sectors. Such credit increased to 55.9 per cent of total credit in 1975 as compared to 44.9 per cent in 1974. Of course, the credit to rest of the sectors was maintained between 1974-75 at about Rs 270 crores.

Net profit of the bank increased from Rs 302.4 lakhs in 1974 to Rs 316.4 lakhs in 1975. The bank has strengthened its statutory reserves by tranferring Rs 94.6 lakhs in 1975 against Rs 75.5 lakhs in 1974. It has also transferred to central government Rs 67.5 lakhs in 1975 as against Rs 63.9 lakhs in 1974.

Public Sector Credit

1975 witnessed the dominant role towards public sector credit. Against Rs 77.09 crores in 1973 and Rs 79.94 crores in 1974, the credit to this sector showed a phenomenal increase to Rs 183.94 crores in 1975, a growth of over 130.2 per cent in 1975 against a mere 3.7 per cent in 1974.

Priority sector advances other than exports, also increase by 26.1 per cent in 1975, to reach a new high of Rs 143.8 crores. The emphasis to serve needy commonman resulted in increased number of borrowal accounts to 32,382, by end 1975, an increase of 26.4 per cent over previous year's number of borrowal accounts. Total number of borrowal accounts by end 1975 was 1,55, 091.

Under village Adoption Scheme, 224 more villages were adopted. Total villages adopted by end 1975 were 1,494 with 11,942 borrowal accounts and outstanding of Rs 3.48 crores.

The bank spearheaded the ushering of a new era in banking by sponsoring two rural banks, one at Bhiwani in Haryana and the other at Arrah in Bihar— one more pioneering effort towards achieving positive results under 20-Point Programme.

Against 86 branches opened in 1974, the bank opened 101 branches in 1975 out of which 58 branches were at rural centres. Total number of brances by end 1975, stood at 1,202.

Bihar Alloy

The directors of Bihar Alloy Steels Ltd sounded a note of cautious optimism about the immediate prospects of the company. The basis of their optimism is due to the impending revival of the alloy tool steel following some helpful steps taken by the government in the last budget. The government has restricted the import of such grades of alloy steels, the demands of which can be met indigenously. Also the government has increased the import duty on such grades. Under these conditions the directors of the company feel confident about the future.

Working results of the company during the year 1975, however, were not satisfactory. There was a serious setback in the production due to an accident in July last year. Moreover the continuous casting mills, which is quite new to this country, suffered from teething troubles.

Sales of the company this year amounted to Rs 1.64 crores. After meeting all charges and providing Rs 1.46 crores for depreciation, the company incurred a loss of Rs 2.71 crores. Taking into consideration Rs 9.74 lakhs for expenses written off, the gross deficit of Rs 2.80 crores has been instrumental in seriously affecting the liquidity of the company, and at the moment the company is in urgent need of an additional term loan of Rs 4 crores, for meeting its obligations. The company is hopeful of finalising this loan soon.

In view of the losses suffered by the company, no provision has been made for development rebate reserve. The company has obtained wealth-tax exemption certificate for its shareholders for a period of 5 years, beginning from the assessment year 1976-77.

Jagatjit Industries

In their annual report to the shareholders, the directors of Jagatjit Industries point out that no provision has been made in the accounts for the liability of taxes estimated at Rs 67.75 lakhs, which when assessed will be charged to the general reserve. The sales of the company for the year ended December 1975 recorded a figure of Rs 1147.35 lakhs, showing an increase of Rs 198.69 lakhs over the previous year.

The profit before tax and development rebate reserve has also increased to Rs 119.40 lakhs, recording an increase of Rs 4.35 lakhs over the previous year's profit of Rs 115.05 lakhs. The directors have recommended a dividend of 12 per cent on 7,57,257 equity shares and 9.5 per cent 20,000 cumulative redeemable preference shares. The dividends will absorb Rs 10,98,708, which will be paid out of general reserve.

Consent from the Controller of Capital Issues has been received by the company for the issue of 7,57,257 fully paid bonus equity shares by capitalising Rs 75,72,570 out of the general reserve in the ratio of one bonus share for every equity share held by the shareholders.

The company has received a letter of intent from the government for the manufacture of whole range of milk products at Proddatur in the backward district of Cuddapah in Andhra Pradesh. This project will be set up in collaboration with the Andhra Pradesh government.

Bank of Baroda

The total deposits of the Bank of Baroda for the year 1975 increased by Rs 180 crores to Rs 996 crores, recording a growth rate of 22.08 per cent as against 16.35 per cent for the banking industry as whole. The banks advances also showed a rise of Rs 135 crores to Rs 651 crores, a rise of 26.23 per cent. In keeping with the rise in deposits and advances, the bank declared a net profit of Rs 290 lakhs. As high as 45 per cent of the declared profit amounting to Rs 131 lakhs was transffered to reserves as against Rs 65 lakhs last year. In the field of branch expansion, the bank increased its branches by 60 to 887—852 in India and 35 abroad. Branches in the lead districts accounted for 41 per cent of total branches in India.

Under the 20 point economic programme, the ba
financed a total of 17,
small borrowers to the tu
of Rs 190 lakhs, there
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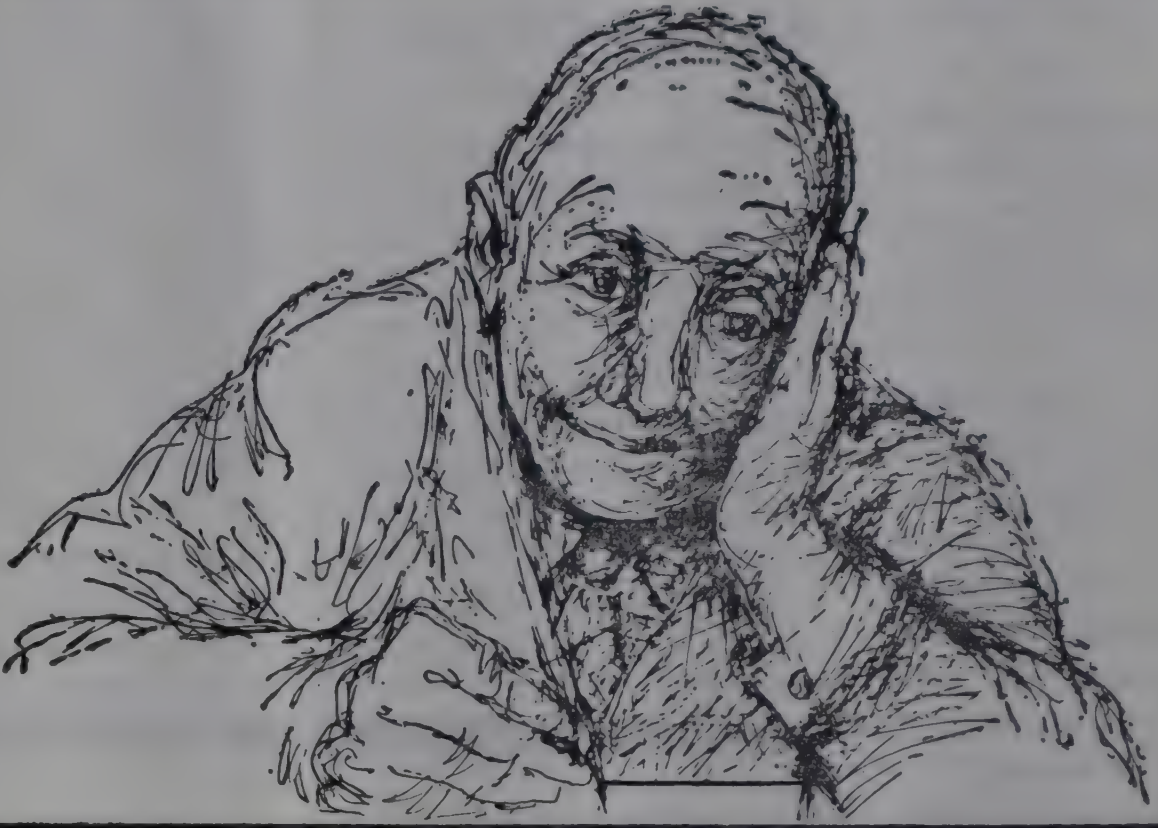
The balance outstand



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punjab national bank

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against small borrowers stood at Rs 17.64 crores as against Rs 12.94 crores last year.

The total disbursement for the agricultural sector was of the order of Rs 19 crores. The outstanding credit to the agricultural sector was Rs 60.57 crores. The balance outstanding against small-scale industries by the end of December 1975 increased by Rs 10 crores to Rs 67 crores.

The banks outstanding export credit stood at Rs 55.13 crores at the end of December 1975. During the year the bank authorised more branches to handle foreign exchange. The bank in keeping with the national objective of promoting exports, opened five branches in West Asia.

Baroda Rayon

Baroda Rayon Corporation proposes to finance its Rs 14.5 crore project, for the manufacture of 2000 tonnes of nylon tyre yarn and nylon tyre fabric annually, with borrowings of Rs 8.30 crores from the financial institutions and banks, Rs 5 crores from internal resources and Rs 1.2 crores from the issue of second preference shares.

One of the conditions stipulated by IDBI, IFCI and LIC provides for an option to convert a part of their respective financial assistance, in aggregate not exceeding Rs 70 lakhs in fully paid equity shares of the company of Rs 100 each at Rs 140 per share at any time between July 1979 and July 1981. The project is being set up at Udhna, near Surat in Gujarat in technical collaboration with M/s Unitika of Japan. The banks and financial institutions have already agreed to extend the financial assistance in principal.

Khandelwal Udyog

The directors of Khandelwal Udyog Ltd have reported satisfactory results for the year 1975 despite the power cut and 55 days strike. The value of production came to Rs 230 lakhs against Rs 242 lakhs in 1974 showing a reduction of five per cent. The net pretax profit however works out to Rs 37.32 lakhs against Rs 31.02 lakhs in 1974. The directors have recommended a dividend of 12 per cent on equity shares against 10 per cent for 1974. The company has fully redeemed the preference shares.

The directors have provided for depreciation Rs 1.29 lakhs (Rs 1.26 lakhs), development rebate reserve nil (Rs 11,000), taxation Rs 24.75 lakhs (Rs 19.75 lakhs), general reserve Rs 12.96 lakhs (Rs 11.27 lakhs) and dividend Rs 3.31 lakhs (Rs 2.76 lakhs).

The working of the current year shows encouraging performance. The outstanding orders at present are about Rs 4 crores. However, for new business the company will have to face severe competition in future and steps are being taken to diversify the products.

CGR India

CGR-India, a joint venture of CGR-France, and Escorts Limited, India, which will manufacture X-Ray equipment for 100 per cent export, was inaugurated by Prof D.P. Chattopadhyaya, minister of commerce at SEEPZ (Santa Cruz Electronics Export Processing Zone), Bombay, recently. The project is a welcome addition to the zone with sophisticated technology and large value added for its export items,

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It has come to our notice that in spite of our intimation, documents including share certificates, fixed deposit receipts, debenture stock certificates and other important papers are still being forwarded to Jardine Henderson Limited and not to our Registrars and Share Transfer Agents, **CPA CONSULTANCY SERVICES PRIVATE LIMITED, 11/1A SAROJINI NAIDU SARANI (FORMERLY RAWDON STREET), CALCUTTA-700017.**

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nd it would go a long way n promoting the much needed export. Emphasising the importance of export-oriented production. Prof. Chattopadhyapa said that the progress of the Santa Cruz Export Processing Zone had been very impressive. With the exports worth Rs 500,000 in the first year of its existence the zone exported sophisticated items worth Rs 5.88 million in 1975-76 in spite of severe recessionary conditions in the world market.

With the commissioning of units such as CGR, the zone, he said, was poised for achieving an ambitious target of Rs 50 million in the current financial year. Prof. Chattopadhyaya expressed the hope that the geometrical progress in the export performance of the zone would grow further and the Indian electronic industry would achieve its export target of Rs 500 million by the first year of the sixth five-year Plan.

Benefits

Explaining the highlights of the project Mr H.P. Nanda, Chairman, CGR said that at the outset, through its association with CGR-France and its worldwide operations—ranking among the world's leading manufacturers of X-Ray and other electro-medical equipment—CGR-India will have the benefit of the latest technological advancement in this field.

Referring to the production programme of CGR-India, Mr Nanda said it was divided in two stages. In the first phase, the company would manufacture 240 'SECURISCOP' radioscopic cabins and 180 'SUPRALIX' remote controllex X-Ray tables. In the second phase, which would be after about two years, the range of production would be expanded to include 240 'SECURISCOP' generators and 180 'TRISELEX' generators for 'SUPRALIX'. In the first year of operation i.e. from now till the end of 1976, CGR-India expected to export worth Rs 7.2 million, going upto Rs 25 million in the second year and Rs 45 million in the third year. The turnover would have about 70 per cent Indian added value for labour costs, raw materials, ancillaries and components.

In the international markets, CGR-India's products will go to the USA, the UK, France and Italy and several sophisticated world markets. At home, the rewards will be shared with hundreds of its ancillary suppliers, mostly from small-scale units. This joint venture was a unique example of interdependence of international knowhow and Indian skills which should serve as a booster for our electronic and engineering industry.

News and Notes

The foreign holdings in **Pfizer** will be reduced from 75 per cent to 60 per cent within a year. The parent holding company **Pfizer Corpn. of the USA** currently holds equity shares worth Rs 4.20 crores out of a total paid-up capital of Rs 5.58 crores. The dilution of foreign holding would be made by a rights issue of shares to the India shareholders.

Sandvik Asia will be diluting its foreign shareholding in accordance with the guidelines issued by the government. The companies financial and technical collaburators **Sandvik AB, Sweden** at present hold 60 per cent shares worth about Rs 1.32 crores. The directors of the company have proposed an issue of the bonus share for every three equity shares held by the shareholders by capitalising Rs 44 lakhs. The dilution will be made by an issue of shares at a premium to Indian nationals.

New Issues

Alfred Herbert (India) is offering for public subscription 3.50 lakhs equity shares of Rs 10 each for cash at par. The subscription list opens on June 16, and the entire issue has been underwritten. The object of the present issue is two-fold—to provide the company with a part of fiannce required for the implementation of its diversification project and also to dilute the foreign shareholding in the company from 60 per cent to 40 per cent.

The company has a plant at Bangalore for the manufacture of rubber and plastic processing machinery. The company is currently in the process of diversifying its product range and has entered into foreign technical collaboration for the manufacture of these items. The diversification of the company is estimated to cost Rs 96.50 lakhs. As against a total paid-up capital of Rs 49.50 lakhs at the end of October 31, 1975. The company paid a dividend of 12 per cent for the year 1974-75. The Company is also issuing 200,000 equity as bonus shares to the existing shareholder, thereby increasing the total capital of the company to Rs 105 lakhs.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared	
		Current year	Previous year
Higher Dividend			
General Electrodes	Dec. 1975	12	10
Lakshmi Machine	Dec. 1975	12	10
Raj Bahadur Mills	Dec. 1975	12	8
Hind Housing	Dec. 1975	12	Nil
Same Dividend			
British India Corpn.	Dec. 1975	Nil	Nil
Sandvik Asia	Dec. 1975	22	22
Lower Dividend			
Godfrey Phillips	Dec. 1975	10	16
Muller Phipps	Dec. 1975	Nil	20

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Licences and Letters of Intent

The Following licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of February 1976. The list contains the names and addresses of the licensees, articles of the manufacture, type of licences—New Undertakings (UN), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Mettallurgical Industries (Ferrous)

M/s Ram Kishan Metal Works (Bombay) C-33, Wagle Indl. Estate, Thana, Maharashtra—(Thana-Maharashtra)—MS/HS Wires—900 tonnes—(COB)

M/s Markfed Vanaspati & Allied Inds. GT Rd, Khanna, Distt. Ludhiana, Punjab—(Ludhiana-Punjab)—Plain Tin Containers upto 18 ltr capacity—1000 mt only—(COB)

M/s Decor Steel Pvt Ltd., 1 Madhya Marg, Sector 7-C, Chandigarh—(Ballabhgarh-Haryana)—Steel Pipes and Tubes —10,000 tonnes—(COB)

M/s K.R. Steel Union Pvt Ltd., "Everest House, 10th Floor, 460, Chowringhee Road, Calcutta—(Kalyani-Nadia-West Bengal)—Mild Steel Ingots Electrode Quality Carbon Steels, Forging quality carbon steels, Hardening and tempering quality carbon steels; Carbon-Manganese, and Silico; Manganese qualities of spring steels; Carbon Tool Steels; Case Hardening quality carbon steels; Free cutting quality carbon sulphur steels 18,000 tonne—(COB)

M/s Bharat Barrel & Drum Mfg Co Pvt Ltd., No 95, Ferguson Road, Lower Parel, Bombay—(Kali Prasanna-Singhee, Road Cossipore-Calcutta—Steel Barrels made from 18G steel sheets—4458 mt. per annum—(COB)

M/s National Wire Inds 41, Kallawalan, Delhi Gate, Ghaziabad—(Ghaziabad-Uttar Pradesh)—M.S. Wires—350 tonnes—(COB)

M/s Surrendra Tubes & Steel Pvt Ltd., 24, Baroda Street, Iron Market, Bombay—(2nd Pokhran Road, Majiwada)—(Thana-Maharashtra)—Steel Pipes and tubes—10,000 tonnes p.a—(COB)

M/s Eastern Steel & Alloys Co Ltd., Silpukhuri, Gauhati —(Bangaigaon-Assam)—Bars, Angles, Tees, Channels, Joists and flats—8,100 tonnes—(COB)

M/s Nava Bharat Ferro Alloys Ltd "Nava Bharat House" 6-3-654, Somajiguda, Hyderabad—(Kothagudam, Disst—Khammam-Andhra Pradesh)—Ferro silicon from 10,000 tonnes to 20,000 tonnes after expn—(SE)

M/s Chokshi Tubes Co (P) Ltd., Yusuf Bldg, 2nd Floor, 43, M.G. Rd, Fort, Bombay—(Ahmedadad-Gujarat)—Stainless steel tubings of smaller capacity of following sizes:—9 mm OD to 0.3 mm Diameter; 0.5 mm to 0.07 mm thickness—within existing licensed capacity of 840 tonnes p.a—(SE)

Boilers and Steam Generating Plants

M/s Thermax (India) Pvt. Ltd D-13, MIDC Indl. Area, Chinchwad, Poona—(Poona-Maharashtra)—Boilers for Solid and multifuel firing for waste-heat including stokar ranging from 2 tonnes to 50 tonnes per hour evaporation capacity—3000, tonnes—(NU).

Electrical Equipment

M/s Elico Pvt Ltd; 17/B, Indl. Estate, Sanatnagar, Hyderabad—(Hyderabad-Andhra Pradesh)—Professional grade Switches—2 million nos p a—(NU)

M/s Jayant Metal Mfg Co, Pvt Ltd, 16, Sayani Ro Bombay—(Bombay-Maharashtra)—Supper Enamelled cop Wire—650 tonnes to 1000 tonnes after expn—(SE)

M/s West Bengal Electronics Industry Dev. Corpn. L 225-E, Acharya Jagdish Chandra Bose Rd, Calcutta (Calcutta-West Bengal)—Hard and Soft Ferrites—50 ton —(NU)

Sh B.K. Gupta, 802, Joshi Road, New Delhi-5—(Ghaz bad-Uttar Pradesh)—Automotive & Signal Batteries— lakh nos; Stationary Cells—0.10 lakh nos; Traction Batter —0.10 lakh nos—(NU)

M/s Century Rayon, Industry House, 159, Churchga Reclamation, Bombay—(Sanat Cruz EPZ-Maharashtra) C/MOS-LSI Arrays—10,00,000 pieces; Electronic Watch —5,00,000 pieces—(NU)

M/s Indian Cable Co Ltd, 9 Hare Street, Calcutta —(Jamshedpur-Bihar)—Finer Gauges of Enammelled Wir (42 SWG & Thinner)—50 tonnes—(SE)

M/s Power Build Pvt Ltd; Post Box No 28, Vallab Vidyanagar, Gujarat—(Anand Distt Kaira Gujarat)—Electr Magnetic Electronic Belt Weighers—75 nos; Met Detactors—75 nos; Constant Weight feeders10 nos—(NA)

M/s Electronics Corpn of India Ltd; Indl. Dev Are Cherlapalli, Hyderabad—(Hyderabad-Andhra Pradesh)—Pr fessional & Custom-built recording System and tape dec such as; Cockpit voice recorders for Indian Air Lines ar Indian Air Force; Army Tape Recorders; STD Recorders 200 nos; Digital Cassette Tape Recorder Readers—40 nos (NA)

M/s Precision Circuit Boards (India) Ltd,,410, Apeej House, Bombay Samachar Marg, Bombay—(Sanat Cruz EP Maharashtra)—Plated thru Hose—100,000 sq ft; Plati Line—100,000 sq ft; Fluxing Line—600,000 sq ft; Soldering 250,000 sq ft—(NU)

M/s Wadco Tools Pvt Ltd, 8, Candy House, Mandl Road, Bombay—(Ghaziabad—U. P.)—Prenmatic and Pow Screw Drivers—2500 nos; Pneumatic & Power Drills—10 nos; Pneumatic & Power Nut Runners—1000 nos; Pneuma & Power Senders—400 nos; Pneumatic & Power Grinde —1000 nos; Misc. & Special Purpose Tools like Chippe Rammers, Aircraft Tools etc—1500 nos—(Total : 7,4 nos—(NU)

M/s The Standard Batteries Ltd, Vakola, Santa Cru Bombay—(Madras-Tamil Nadu)—Miners Cap Lamp Batter —3.24 lakh nos—(SE)

M/s Bharat Electronics Ltd, Jalahalli Bangalor (Bangalore Karnataka)—Electronic/wireless equipment a Allied apparatus Worth....Rs 45 crores—(SE)

Transportation

M/s Accurate Ancillary Products Pvt Ltd; B-26, Pamp Enclave, Greater Kailast Part I, New Delhi—(Mohinderg Haryana)—*Clutch Facing* : Moulded, Metallic Moul —10,000,000 Nos; Woven Type, Metallic Woven—10,00, nos; Benderisation of Discs (steel)—200,000 nos; Clu kits with facings and segments of friction meterial 5,00,000 nos; Steel Discs; 5,00,000 nos; Total 32,00, nos—(N.U.)

M/s The Bihar State Indl Dev Corpn Ltd; Bandar Bagi Patna—(Patna-Bihar)—scooters—30,000 nos—(NU)

Industrial Machinery

M/s Chowgule Engg. Co (P) Ltd; Chowgule H Marmugao Harbour, Goa—(Mormugoa-Harbour-Goa)—P components & spares for Mining machines Cl

Drills Wagon Drills Jack Hammers & Screens etc—360 tonnes—(COB)

Chemical Machinery

M/s Richardson & Cruddas (1972) Ltd; Byculla Bombay Iron Works P O No 4503 Sir J. J. Rd Bombay—(Bombay-Maharashtra)—Pressure Vessels—600 tonnes; (ii) Heat Exchangers—160 tonnes; Boilers House Equipment for sugar plants-1100 tonnes; Structural items like chimmneys shells and Furnace-1,100 fonnes—(N A)

M/s SLM-Maneklal Inds. Ltd; Vatva Taluka Dascroi, Ahmedabad → (Vatva-Ahmedabad-Gujarat) — Hydraulic Presses for Metal forming, Wood and plastics-20 nos; Hydraulic Presses for Rubber and other Elasomers—16 nos —(NA)

M/s Jain Tube Co Ltd; D-20 Connaught Place New Delhi—(Ghaziabad-Uttar Pradesh)—High Frequency Tube Welders —12 nos—(NA)

Industrial Machinery

M/s Usha Atlas Hydraulic Equipment Ltd; 14 Princep Street, Calcutta—(Calcutta-West Bengal)—Truck Mounted Hydraulic Cranes and its Accessories Excluding manufactures of truck chasis)—200 nos—(NU)

M/s Dass Hitachi Pvt Ltd; 21-A Janpath New Delhi—(Ghaziabad-Uttar Pradesh)—Thermostats for refrigerators; Air Conditioners and other appliances—90,000 nos—(NA)

Machine Tools

M/s Shriram Bearings Ltd; 3A Shakespeare Sarani Calcutta—(Ranchi-Bihar)—Ball Flashing Machines Ball Grinding Machines; Ball Lapping Machines; Ball Tumbling Machines—60 nos—(NA)

Agricultural Machinery

M/s Bihar State Agro Inds Dev Corpn Ltd; Boring Road, Bihar—(Patna-Bihar)—Kubota Power Tillers; Model ER 90 N/KMB 200—5,000 nos—(SE)

Engineering Industries

M/s Mutual Plastics, Nilam Mansion, 2nd Floor Tribhavan Road, Bombay—(Vapi-Gujarat)—Plastic Moulded Goods—577 tonnes—(COB)

M/s A. B. S. Plastics Ltd; 6-B, Jadav Chambers, Ist Floor Ashram Road, Ahmedabad—(Baroda-Gujarat)—A.B.S. Resins —2,000 tonnes—(NU)

M/s Dagger Forst Tools Ltd; First Pokhran Rd Thana—(Thanan-Maharashtra)—Gauges—3000 nos—(NA)

Shree Vallabha Glass Work, Ltd; Anand-Sojitra Road, Vallabha Vidyanagar, Gujarat—(Anand-Kaira-Gujarat—Polyvinyl Butyral Foils—0.75 MCM—(NA)

Chemicals

M/s Gangappa Cables Ltd; Uppal Road, Hyderabad—(Hyderabad-Andhra Pradesh)—Wire Enamels—75 tonnes to 280 tonnes—(SE)

M/s The Ahmedabad Mfg. & Calico Printing Co Ltd; Calico Chemicals Plastics & Fibres Division, Anik Chembur Bombay—(Bombay-Maharashtra)—Polymers & Copolymers of Vinyl Pyrrolidone-50 tonnes—(NA)

M/s Rishi Gases (P) Ltd; 4-E Vandhna, 11 Tolstoy Marg New Delhi—(Bilaspur-Madhya Pradesh)—Oxygen Gas-1.00 MCM; Dissolved Acetylene Gas-0.20 MCM—(NU)

M/s Western India Match Co Ltd; Indian Mercantile Chambers Nicol Road, Ballard estate, Bombay— Soudium Ammonium & Potassium Perchlorates from 50 tonnes to 500 tonnes—(SE)

M/s Sudarshan Chemical Inds Ltd; 162 Wellesley Road, Sangam Bridge, Poona—(Kolaba-Maharashtra)—3.3 Dichlorobenzidine Dihydro-chloride—300 tonnes—(NA)

M/s Mandovi Shipyard Pvt Ltd; Kadar Manzil P B No 34 Margao Goa—(Margao-Goa)—Oxygen Gas-1.12 MCM—(NU)

Dyestuffs

M/s Seshyadri Dyestuff & Chemicals Ltd; Mafatlal House Bombay—(Poona—Maharashtra)—Michler's Hydrol—100 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Uni-UCB Pvt Ltd; 22 Bhulabhai Desai Road Bombay-26 —Jogeshwari-Bombay-Maharashtra)—Vasparex Tabless—5.2 million nos—(NU)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12 South Extension, New Delhi—(Rishikesh-Uttar Pradesh)—Capsules—7 Million nos; Formulations of Ampicillin Corresponding of Ampicillin—2.5 tonnes in terms of Bulk drug—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; (A Govt. of India Undertaking) N-12; South Extension Part I, New Delhi —(Hyderabad-Andhra Pradesh)—Primaquine Phosphate—1.05 tonnes—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12 South Extension Part I, New Delhi—Hyderabad—Andhra Pradesh—Pethidine Hydrochloride-1000 kgs. tonnes—(NA)

M/s Unichem Laboratories Ltd; "Unichem Bhavan" S. V. Road Bombay—(Maharashtra)—Tablets of Propylphenazone Paracetamol and Caffeine-12 million nos—(S E)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation-Bombay—(Bombay-Maharashtra)—Foot and Mouth Disease Vaccines—10 million doses after expn—(S E)

Textiles

M/s Hemlatha Textiles Ltd; Ralli House, 320, Linghi Chetty Street, Madras—(Guntur-Andhra Pradesh)—Cotton Yarn-25,000 spindles—(S E)

M/s Vikas Woollen Mills, 1104, Kucha Natwan, Chandni Chowk, Delhi-6—(Alwar-Rajasthan)—Shoddy Yarn—600 shoddy spindles—(N U)

M/s Kalindi Woollen Mills (P) Ltd; D-2 Maharani Bagh, New Delhi—(Bulandshahar-Utter Pradesh)—Shoddy Yarn—600 shoddy worsted Yarn/spindles—(NU)

M/s Jagatjit Cotton Textile Mills Ltd; Thapar House, 124, Janpath, New Delhi—Kapurthala-Punjab)—Cotton Cloth, 1240 looms after expan (by installation of 168 additional looms of indigenous make—(S E)

M/s Wool Fibres (India) Ltd; D-2, Maharani Bagh, New Delhi—(Bulandshahr—Uttar Pradesh)—Shoddy Yarn—500 spindles—(U N,

Paper and Pulp

M/s Sivalik Cellulose Pvt Ltd; Flat No 4 "Dakshineswar" No 4, Hailey Road New Delhi Writing & Printing Paper-9,900 tonnes—(N U)

M/s Godavari Paper Mills Pvt Ltd; P B No 74 Eastern Express Highway, Thana-1—(Budni-Madhya Pradesh)—Paper & Board (Writing & Printing & Kraft Paper)-15,000 tonnes —(N U)

M/s Seshasayee Paper & Boards Ltd; Pallipalayam Cauvery R S P O Salem Distt—(Pallipalayam-Tamilnadu—Pulp—15,000 tonnes, Paper and Paper Boards—15 000 tonnes (after expn 50,000 tonnes each of Pulp and Paper Board)—(S E)

M/s Siddho Mal Paper Conversion Co A-6, Connaught Place, New Delhi—(Ghaziabad-Uttar Pardesh)—M G Packing and Wrapping Paper and M F Paper—6,000 tonnes—(N U)

M/s Punalur Paper Mills Ltd; Punalur (Kerala) (Punalur-Kerala)—High Strength Kraft Paper, abrasive base paper

& Cable Insulation Paper—33,000 tonnes to 50,000 tonnes after expn—(S E)

Sugar

M/s Pravara Sahakari Sakhar Karkhana Ltd; Taluka Shrirampur, Distt Ahmadnagar (Mah)—(Maharashtra)—Sugar-1,000 tonnes daily cane crushing capacity per day to 4000 tonnes daily cane crushing capacity per day after expn—(S E)

Fermentation Industries

M/s Madhya Pradesh State Inds Corpn Ltd; Maheshwari Bhavan, Civil Lines, Bhopal—(Ratlam-Madhya Pradesh)—Beer 50,000 HL—(N U)

Food Processing Industries

M/s Foremost Dairies Ltd; 138/144 Govt Indl Estate P B No 7662 Kandivli (West) Bombay-67 NB—(Saharanpur-Uttar Pradesh)—Skimmed Milk Power—2400 tonnes per annum—(COB)

Vegetable Oils and Vanaspathi

M/s Farmer's Co-op Oil Seeds Processing Society Ltd; Binkadakatti Distt Dharwar Karnataka—(Dharwar-Karnataka)—Groundnut edible Oil—10,000 tonnes in terms of seeds—(NU)

M/s Jayalakshmi Cotton & Oil Products Pvt Ltd; Perecheria Guntur-Machorla Rd, Guntur Distt AP—(Guntur-Andhra Pradesh)—Cottonseed Oil—30,000 tonnes in terms cotton seed—(SE)

M/s Roshan Lal Oil Mills, Mansa Road Bhatinda-Punjab—(Bhatinda-Punjab—Cotton Seed Oil and other Products of Cotton Seed—55,000 tonnes in terms of cotton Seed—(NU)

M/s Jayent Oil Mills, 13 Sitafalwadi Mazgaon PB No 6209, Bombay—(Bombay-Maharashtra)—Caster Oil fatty acids—3600 tonnes—(NA)

Toilet Preparations

M/ The Delhi Cloth & Genl Mills Co Ltd Bara Hindu Rao, Delhi—(Delhi)—Glycerine-365 tonnes—(NA)

Rubber Goods

M/s Fenner (India) Ltd, Pandyan Bldg West Vali Street Madurai—(Madurai Tamilnadu)—'O' Rings—from 24,70,000 nos to 40,00,000 Nos; Synthetic & Natural rubber and Moulded Products and Synthetic Rubber to Metal bounded Products from 24,80,000 nos to 50,00,000 nos—(SE)

Leather Goods

Sh K M Muhamad Abdul Khadar, VV Koil St (Periampet-Madras—(Dindigul-Tamil Nadu)—EI/Wet Blude/Semi Finished Leather from Goat and Sheep skins-14.5 lakh nos—(NU)

M/s Mohamed Basheer & Co Tanners & Exporters, Narsampet Road, Warangal (AP)—(Warangal-Andhra Pradesh)—E I Tanned Goat & Sheep skins—5.90 lakh nos—(NU)

M/s AP Tanneries Ltd: Vizianagaram-3 (AP)—(Vizianagaram-Andhra Pradesh)—Finished Leather from hides—2,00,000 nos—(NU)

M/s Pioneer Tanneries & Glue Works—Jajmau-Kanpur—Vegetable tanned finisned leather from hides-1.5 lakh nos; Chrome Tanned unfinished, finished leather from hides—3 lakh nos—(NU)

Glass

Dr D. V. Sood 1101, Asha Deep Hailey Road New Delhi-110001—(S.kanderabad-Bulandshar Uttar Pradesh)—Glass Textiles and reinforcement-2,000 tonnes—(NU)

Cement and Gypsum Products

M/s Cement Corpn of India Ltd; 'Herald House' 5-A Bahadur Shah Zafar Marg New Delhi—(Jawad Mandsa
MP—Port Land Cement—4 lakh tonnes p a—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Sudarshan Steel Rolling Mills, 601 Motiram Ro
Shahdara Delhi—(Shahdara Delhi)—Steal Nuts & Bolts-1,2
tonnes—(NA)

Fuels

M/s The Singareni Collieries Co Ltd; Kothagud
Collieries PO Khamman District—(Adilabad-Andhra Prade
—Coke (410 mm size),—5,14,000 tonnes; Coke Fines (410 m
size)—1,68,300 tonnes; Coal Tar Fuel—14,000 tonnes; Timb
Creesete-4,000 tonnes; Disinfectant Creesete—3,500 tonn
Phenels6—600 tonnes; Creesetes—700 tonnes; Xylenele—2
tonnes—(NU)

M/s Andhra Pradesh Industrial Development Corporati
Limited, B-1-174, Fateh Maidan Road Hyderabad—(Visakh
patnam A. Pradesh)—Navigational (Merchantship) Rad
System-12 nos; Echo Sounders-12 nos; Fish Finders—25 no
Ship speed Logging Equipment—12 nos; Gyro Compass
12 nos—(UN)

M/s R Gopal, 44-AI Burkitt Road T Nagar Madra
(United International Distributors)—North Arcot Tan
Nadu)—Hard Rubber Containers for Storage Battery—3 la
nos—(NU)

M/s Usha Rectifier Corporation (India) Ltd; 12/1, Del
Mathura Road, Faridabad—(Faridabad-Haryana)—Hi
Voltage Rectifier stacks & Miniature Solenium Rectifie
-10 lakh nos; Electrostatic Selenium-Coated Photo-copyi
Plates-10,000 nos—(NA)

M/s Transformers & Electricals Kerala Limited, Angama
ly South P O Ernakumal—(Ernakulam-Kerala)—Bushin
upto 400 KV-750 nos; On-Load Tap Changers upto 400 K
170 nos—(SE)

M/s India Midget Electrode Limited, New House, Bami
Maidan, Gauhati—(Kamrup—Assam)—Midget Electrodes
300 nos—(NU)

M/s Nippen Electronics (India) Pvt Ltd; Bull Temp
Road, P B No 1905, Bangalore—(Bangalore—Karnataka)
Electrolytic Capacitors—5 million nos—(NA)—Sub Expansi
Plastic Film Capacitors—20 million nos—(SE)

M/s Kerala State Electronics Development Corpn Lt
'Keltron House', Vellayambalam, Trivandrum—(Kerala)
Magenetic Tapes in the form of Cassettes/Spools—75 m
running metres—(SE)

M/s Prefecte Enginereing Pvt Ltd; Beaumon Chambe
27/33, Medows Street, Bombay—(Kandivli-Maharashtra
Drafting Aids for Electronic *printed Circuits*:—Black ta
and Diecut products-40,000 rolls; Red and Blue Tape a
Diecut products—10,000 rolls—(NA)

M/s Punjab State Industrial Development Corporat
Limited, SCO,54-65, Sector 17-A, Chandigarh—(Rop
Chandigarh)—Power Diodes (below 30 amps)-3 lakh n
High Power Diodes (30 Amps)—20,000 nos; SCR's (be
30 Amps)—3 lakh nos; SCR's (above 30 AMPs) —20,000 n
Power Transistors (over 20 AMPs)—3 lakh nos; Integra
Circuits—2 lakh nos—(NU)

Transportation

M/s Injecto Pvt Ltd; 20/5, Mathura Road, Faridaba
(Gurgaon-Haryana)—Fuel Injection Pipes and Oil Pipes-
lakh metres—(NA)

M/s Garden Reach workshops Ltd; 43/46, Garden Rea

(Calcutta-West Bengal)—Hatch Covers for ships—23 sets p.a—(NA)

Industrial Machinery

M/s National Machinery Manufacturers Ltd; Stadium House, 81-83, Veer Nariman Road, Bombay—(Surat—Gujarat)—Draw Frames—180 nos. (SE)

M/s Batliboi & Co (P) Ltd; Appeejay, 6th Floor, Bombay —(Surat—Gujarat) Water pollution control system and equipment for reclamation treatment and conservation of industrial/public health engineering effluents—50 installations—(NU)

M/s National Machinery Manufacturers Ltd; Stadium House, 81-83, Veer Nariman Road, Bombay—(Baroda-Gujarat)—Fly Frames—240 nos p.a—(SE)

M/s Mining & Allied Machinery Corporation Ltd; P.O. Durgapur-10. Dist: Burdwan—(Burdwan-West Bengal)—100 tonnes capacity Hydraulic installation each set comprising of :-Chock—50 nos; Rams (Pushera)—50 nos; Optional Power Pack— no. & Accessories like hoses T Joints Clamps etc—20 sets. (470 tonnes); Ram & Steel (Pusher) installation each set comprising of:—Rams (Pusher)—25 nos; Stell Props —25 nos; Optional Power Pack—1 no and accessories like hoses T Joint Clamps, etc—25 sets—156.25 tonnes); Double Drum Shearer—50 nos—(800 tonnes)—(NA)

M/s T. Maneklal Mfg. Co Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay—(Bombay-Maharashtra)—Direct Beaming Plant — 20 nos (NA)

Machine Tools

M/s Alfred Herbert (India) Ltd; 13/3, Strand Road, Calcutta—(Bangalore-Karnataka)—Column type Drilling Machines—300 nos; Automatic Turret type Drilling Machines with numberical control—12 nos; Servomatic Control Units—(Unit Heads)—50 nos; Internal Grinding Machines (Automatic model having a maximum bore capacity of 241 mm and hand feed model having a maximum bore capacity of 305 mm)—10 nos; Centreless Grinding Machines—(Capacity of maximum diameter upto 228.6 mm) (9)—12 nos—(NA)

M/s Sahyadri Udyog, D-2/65, MIDC Pimpri Industrial Area, Chinchwad, Poona—(Poona-Maharashtra)—Industrial Furnaces—45 nos,—(SE)

Engineering Industries

M/s Associated Bearing Co. Ltd; Mahatma Gandhi Memorial Building, Netaji Subhas Road, Bombay—Forged Hand Tools—6,000 tonnes p.a.—(NU)

M/s Punjab State Industrial Development Corpn Ltd; SCO 54,55 & 56, Sector-17-A, Chandigarh—(Ropar-Punjab) —Rock Roller Bits—3,000 nos. p.a—(NU)

Industrial Instruments

M/s Larsen & Toubro Ltd; L & T House, P.O. Box No. 278, Ballard Estate, Bombay—(Maharashtra)—Steel Plant Valves—40 nos—(NA)

M/s Larsen & Toubro Ltd; L & T House, P.O. Box No. 278, Ballard Estate, Bombay—(Maharashtra)—Pipe-Line Valves—75 nos—(NA)

Chemicals Other than Fertilisers

M/s Plastic Resins & Chemicals Ltd; 15-A, Horniman Circle, Fort, Bombay—(Tirunelveli-Tamil Nadu)—Oxygen (for sale in the market)—0.36 M.C.M—(NA)

M/s Straw Products Ltd; Nehru House, 4-Bahadur Shah Zafar Marg, New Delhi—(Koraput-Orissa)—Caustic Soda—16,500 tonnes; Chlorine for corresponding capacity—14,000 tonnes—(NU)

M/s Modern Metal Moulders (Assam) Ltd; Industrial Estate, Gauhati-21—(Bongaigaon, Goalpara, Assam)—Oxygen—1 M.C.M. D/Acetylene—0.20 MCM—(NU)

M/s Five Star Industrial & Engineering Co. (P) Ltd; Dalmal Court, Flat No. 5. Worli Sea Face, Bombay—(Aurangabad-Maharashtra)—Synthetic Resins, such as modified alkyds Thenelics maleics, acrylycs Polyester Resins, epoxy resins, polyamide resins, polyvinyl formal and polyvinyl butyral—1,000 tonnes—(NU)

M/s Stretch Fibres (India) Ltd; 20, Haines Road, Mahalaxmi, Bombay—Nagpur—Maharashtra—Polyester Filament Yarn—135 tonnes—(NA)

Shri R. D. Shroff, Excell Estate, Swami Vivekanand Road, Goregaon West, Bombay—(Broach-Gujarat)—Phosphorus Pentasulfide—3,000 tonnes; phosphorus trichloride—2,000 tonnes; phosphoric Acid—2,500 tonnes—(NU)

Shri T. Rajagopal Rao, 1-15-6, Over Bridge Road, Vizianagaram (AP)—(Vishakhapatnam—A.Pradesh)—Leather Finishes—1,000 tonnes—(NU)

Drugs and Pharmaceuticals

The Chemical, Industrial & Pharmaceutical Laboratories Ltd; 289 Rellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Hydrochlorothizide—200 Kgs; Direma Tablets (based on Hydrochlorothiozide)—5 million nos—(NA)

Shri R.A. Sikaria, 5-9-270, John's Lane, Gunfoundry, Hyderabad—(Medak-Andhra Pradesh)—*Bulk Drugs* ; Theophylline—30 tonnes; Aminophylline—30 tonnes; Chloram phenicol—50 tonnes; 8-Hydroxyquinaline and Halogenated Derivasives—50 tonnes; *Formulations* : Based on the above bulk drugs to the extent of 70% of the annual capacity—(NU)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extension, Part-I, Ring Road, New Delhi—(Hyderabad-Andhra Pradesh)—Prenylamine Lactate Formulation—30 million tablets—(NA)

Shri M. K. Nathany, 5/A, Muktaram Babu St., Calcutta—Medak—Andhra Pradesh)—Chloroquin Phosphate—20 tonnes—(NU)

Textiles

M/s The Commonwealth Trust Ltd; Calicut-1—(Kozhikode-Kerala)—Hand Woven Fabrics—1,68,000 Metres by installing 121 handlooms—(NU)

M/s Shiv Silk Mills, Jolly Bhavan No. 2, 7-New Marine Lines, Bombay—(Maharashtra)—Synthetic Yarn Knitted Fabrics—Installation of 4 Warp Knitting Machines—(SE)

Paper and Pulp

M/s Millard Industrial Corpn. 2-Barabourne Road, Calcutta-1—(Nadia—West Bengal)—Kraft and Wrapping paper/Boards—9,000 tonnes—(NU)

Shri V.K. Bhatia, C/o M/s Eastman Consultants Pvt. Ltd; 1103, Prasad Chambers, Near Roxy Cinema, Bombay—(Broach-Gujarat)—Kraft Paper, Low and High Grammage; Poster Paper such as Blue, Match, Coloured Poster, etc; Label Paper; Total : 3,300 tonnes—(NU)

M/s Hindustan Paper Corpn. Ltd; D-44, NDSE Part II, New Delhi—(Cachar-Assam)—Writing and Printing Paper—1 lakh tonnes—(NU)

M/s Mysore Paper Mills Ltd; 13/A Rajamahal Vilas Extension, P.B. No. 609, Bangalore—(Bhadravati, Shimoga—Karnataka)—Newsprint—60,000 tonnes; Magazine Grade Printing, Paper—15 000 tonnes; Writing, Printing and specialty Papers—37,000 tonnes—(SE)

Food Processing Industries

M/s Patiala Distillers & Manufacturers Pvt. Ltd; Village Main, Patiala—(Kota-Rajasthan)—Modified & Refined Guar Gum, such as Oxidised Guar Gum, Carboxymethalated

Guar Gum, Hydroxyalkalated Guar Gum, and similar Carbohydrate modifications—2,700 tonnes—(NU)

Vegetable Oils and Vanaspathi

M/s Virendra Kumar Mohatta, Mustafa Building, Sir P.M. Road, Bombay—(Gujarat)—Caster Oil; Refined Caster Oil; Dehydrated Castor Oil; Sulphonated/Blown Castor Oil; —21,000 tonnes in terms of Caster Seeds; Sebasic Acid—600 tonnes, Capryl Alcohal—525 tonnes—(NU)

M/s Raichur Agricultural Produce Marketing and Processing Cooperative Society Ltd; Shop No. 66 & 67, Rajendra Gunj, Raichur—(Raichur-Karnataka)—Groundnut Oil—9,000 tonnes in terms of groundnut seeds—(NU)

Glass

M/s Pondicherry Industrial Promotion Development and Investment Corpn. Ltd; Pondicherry—(Pondicherry)—Glass Bottles—18,000 tonnes—(NU)

Timber Products

Shri J.N. Kaila, Bunglow No. 236, Sector 18-A, Chandigarh—(Solan-Himachal Pradesh)—Safety Matches; 4.5 lakh to 5 lakh gross boxes—(NU)

Shri Kamal Kishore Kela, 4-Srinagar Colony, Indore-1—Betul-Madhya Pradesh)—Plywood of all types, Block Boards, Flush Doors and Vaneers, Except Tea-chest Plywood—3 mill sq Metres—(NU)

M/s Wood Craft Products Ltd; 9/1, R.N. Mukherjee Road, Calcutta—(Jeypore, Dibrugarh—Assam)—Plywood of all types including Block Boards & Flush doors excluding Tea-chest Plywood—4.10 Mill sq Metres—(SE)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s Monoplast & Copper Laminates Company, Ahmedabad to M/s Metro Wood & Engineering Works (P) Ltd; Ahmedabad.

From M/s Orient Weaving Mills Pvt. Ltd. to M/s Orissa Textiles & Steels Ltd; Cuttack.

From M/s Empire Dyeing & Manufacturing Co. Ltd. to M/s Garlick Engg. (A Division of Empire In dustrie Limited).

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Dunlop India Limited; 16-Parliament Street, New Delhi—Bicycle Rims—(Cancelled)

Letters of Intent Rejected or Cancelled

(Information pertains to particular letters of intent only)

Dr. K.M. Rao, Lenin Bhawan, Main Road, Vijayawada—(Andhra Pradesh)—Oxygen—1.00 MCM, D/Acetylene—0.20 MCM.

Shri Raisahab Krishan Lal Johar, Mg. Dir., D.C. Johar & Sons, Coimbatore—(Visakhapatnam)—O : 1.00 MCM; D/A : 0.20 MCM; N. : 0.50 MCM

Shri Om Parkash Gupta, 189, Patliputra Colony, Patna—(Patna—Bihar)—O : 1.00 MCM

Shri Hira Lal Aggarwal c/o Ranchi Non-Ferrous Metal Industries, Uppar Bazar, Ranchi, Bihar—(Daltaganj—Bihar) —O : 1.00 MCM; DA : 0.20 MCM; N. : 0.50 MCM

Dr. Nirmal, 9/1653, Balajit Road, Surat—(Baroda—Gujarat)—O : 1.00 MCM

Shri Rajendra Singh, 4th Floor, Shree Vijaya Bhawan, 2-B, Altamount Road, Bombay-26 —(Himatnagar—Gujarat) —O : 1.00 MCM

Shri Pritam Goel, C-192, Defence Colony, New Delhi—(Gurgaon-Haryana)—O : 1.00 MCM; DA : 0.20 MCM; 0.50 MCM

M/s Haryana Oxygen Pvt. Ltd; Shakpura Kothi, Hansi, Hissar—(Hissar—Haryana)—O : 1.60 MCM; 0.20 MCM; N : 1.00 MCM; A : 0.05 MCM; Nitreous Ox 100 tonnes.

M/s Madras Oxygen & Acetylene Co., 6-Saradar Street, Gokulam Colony, T-Nagar, Madras—(Ernakula Kerala)—O : 0.288 MCM (By-product)

M/s The Southern Gas Ltd; 'Lovedale', Church Lan Road, Cochin—(Shertalai—Kerala)—N : 8.64 MCM; 0.15 MCM

Shri Suresh Aggarwal, Baghahra, Raipur, M.P.—(Itar Madhya Pradeh)—O : 1.00 MCM; DA : 0.20 MCM

Shri Jai Parkash Agarwal, Jai Electronics, 10, Indust Estate, Raipur—(Raipur—Madhya Pradesh)—O : MCM; DA : 0.20 MCM

M/s Eastern Oxygen & Acetylene Ltd; C/O M/s Worah & Co. (P) Ltd; Jharia, Dhanbad—(Bhilai—Mad Pradesh)—O : 1.00 MCM; DA : 0.20 MCM

M/s Krishna Steel (Billets) Pvt. Ltd; 29-30, Vasw Mansion, 120, Dinshaw Vachha Road, Bombay-20.—(Ka —Thana)—O : 1.00 MCM

M/s Devidayal Rolling & Refineries Pvt. Ltd, Gu Mills Estate, Reay Road, Bombay-10—(Thana—Ma rashtra)—O : 1.00 MCM; DA : 0.20 MCM

Shri J.S. Kshirsagar, c/o Bhagwan Machinery Co., Na Pool, Bhir—(Aurangabad—Maharashtra)—O : 1.00 M DA : 0.20 MCM

M/s Anand Oxygen & Industrial Gases Pvt., Ltd; Kapur Mansion, Hughes Road, Bombay-5—(Tarap Maharashtra)—O : 1.00 MCM

M/s Southern Gases Ltd; 804, Prasad Chambers, Cha Road, Bombay-4— (Aurangabad-Maharashtra)—O : 1 MCM; DA : 0.20 MCM

M/s Rajesh Motors, 15-16, Cement Chawl, Madhav Rokde Street, Bombay—(Tarapur, Thana, Maharashtra O : 1.00 MCM

M/s A.V. Joshi & Sons, 28-Strand Road, Calcutt (Aurangabad-Maharashtra)—O : 2.90 MCM; DA : 0 MCM

Shri R.P. Batra, Mineral House, P.O. Jaipur Ro Cuttack—(Rourkela—Orissa)—O : 1.00 MCM

Shri Shiv Ratan Goenka, 6-Alipur Park Road, Calcutt (Rourkela-Orissa)—O : 1.00 MCM; DA : 0.20 MCM; 0.50 MCM; AR : 0.05 MCM

Shri Ravinder Kumar Jain, 201/A-19 Chandigar (Dhandari—Punjab)—O : 1.00 MCM; AR : 0.05 MCM

Shri Som Chand Katia, 7/4304, Kelar Bazar, Bhatind (Bhatinda-Punjab)—O : 1.00 MCM DA : 0.20 MCM : 0.50 MCM

M/s Raja Ram Salh & Sons, Morinda, Ropar—(Rop Punjab)—O : 1.00 MCM

M/s Shree Bhawani Cotton Mills Ltd; 59-Golf Links, Delhi—(Ludhiana—Punjab)—O : 1.00 MCM

M/s Kota Steel Re-rolling Mills (P) Ltd; 47-A, In Prastha Industrial Area, Kota—(Kota—Rajashtan)— 1.00 MCM; DA : 0.20 MCM

M/s Jodhpur Steels Ltd; 94-A, Ist Road, Sardara Jodhpur—(Jodhpur-Rajasthan)—O : 0.45 MCM (Captive

Shri Ashok Newatia, K.F. 80, New Kavinagar, Ghazia —(Alwar—Rajasthan)—O : 1.00 MCM; DA : 0.20 MC

Shri T.A. Perumal, 198, Habibullah Road, Madras-

(Mettupalayam—Tamil Nadu)—O : 0.480 MCM; H : 0.072 MCM

M/s Madras Oxygen & Acetylene Co. Ltd; 6-Saradambal Street, Gokulam Coly, T-Nagar, Madras—(Ennore—Tamil Nadu)—O :0.88 MCM

M/s Millard Industrial Corpn, 2-Barabourne Road, Calcutta-1—(Ambattur—Tamilnadu)—O : 1.00 MCM

M/s Shashi Associated, 2-Park Road, Dehra Dun—(Dehra Dun—U.P.)—O : 1.00 MCM; DA : 0.20 MCM

Shri Suresh Chand, c/o Pramatma Saran Agarwal, Gur Mandi, Murad Nagar, Meerut—(Bulandshahar—U.P.)—O : 1.00 MCM

M/s Shree Vishnu & Sons, Kishor Niwas, Birhans Road, Kanpur—(Kanpur—U.P.)—O: 1.00 MCM; DA : 0.20 MCM; N : 0.50 MCM

Shri Hari Kumar C/o M/s R.K. Sharma Flour Mills, Industrial Area, Aish Bagh, Lucknow—(Rai-Bareli, U.P. O : 1.00

Shri Hari Kishan Agarwal, Gopal Niketan (Daresi No. 2), Kokamal Marg, Agra—(Agra-UP)—O : 1.00 MCM; DA : 0.20 MCM; N : 0.50 MCM

M/s Southern Gas Ltd; 'Lovedale', Church Landing Road, Cochin-16—(Rishikesh-UP)—O : 1.00 MCM; DA : 0.20 MCM; N : 0.50 MCM

Shri Mahendra Gupta, 16-Mathura Road, Jangpura-B, New Delhi—(Delhi)—O : 1.00 MCM; DA : 0.20 MCM

M/s Poornima Industrial Gases, 'Poornima', 28, Basappa Road, Bangalore—Industrial Gases—(Lapsed)

Shri Pahlaj Bhajandas Bajaj, Mg Dir, Pahlaj Bajaj & Co. Pvt Ltd; 2nd Floor, Bohramji Mansion, Sir P.M. Road, Bombay—(Bangalore)—Leather Watch Straps—(Closed)

M/s Orissa Cement Ltd; Shiv Mahal, B-45/47, Connaught Place, New Delhi—(Orissa)—Refractory Specialities—(Lapsed)

M/s B.D.K. Alloy, Pvt Ltd; Station Road, Hubli—(Karnataka)—High Alloy Steel Castings—(Cancelled)

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur—(Rajasthan)—Portland Cement—(Cancelled)

Shri P.M. Bhardwaj, C-5, Greater Kailash Enclave-II, New Delhi—Pistons & Piston Rings—(Cancelled)

Shri Arati Nagarwala, F-30, Hauz Khas Enclave, New Delhi (Bihar)—Finished Leather—(Closed)

Shri Deepak Narang, 3-Cavalry Lines, Delhi—Uttar Pradesh)—Finished Leather—(Closed)

Shri M.L. Kotru, 7/62, South Patel Nagar, New Delhi—(Maharashtra)—Finished Leather—(Closed)

Shri S. Guha Ray, C-35, Nizamudin West, New Delhi—(Uttar Pradesh)—Finished Leather—(Closed)

M/s The Ganges Manufacturing Co Ltd; 7-Council House, Street, Calcutta—(Madhya Pradesh)—Cement—(Cancelled)

Shri Subhash Chandra Agarwala. C/o M/s Radhakrishna Oil And Rice Mills, Mahatma Gandhi Road, Gauhati—(Meghalaya)—Industrial Gases—(Lapsed)

M/s Premier Scientific Ware Manufacturing Company, 13-Nilkamal Bunglow, Patidar Society, Ahmedabad—(Gujarat)—Scientific & Laboratory Glass-ware—(Lapsed)

M/s The Aluminium Manufacturing Co, 2-Jessore Road, Dum-Dum, Calcutta—(West Bengal)—Aluminium Milk Canes—(Cancelled)

Shri Subhas Chandra Agarwala, C/o M/s Radhakrishna Oil & Rice Mills, Mahatma Gandhi Rd; Gauhati—Industrial Gases—(Lapsed)

Shri M.D. Sharaf, Shreeram Bhavan, Ramdaspeth, Nagpur—(Maharashtra)—Oxygen Gas—(Lapsed)

M/s R.K. Millan & Co (India) Pvt Ltd; 38-Netaji Subhas Road, Calcutta—(West Bengal)—Industrial Gases—(Lapsed)

Shri M.M. Madar, 44, Oothu Kattan Street, Periamet, Madras—(Tamil Nadu)—Finished Leather—(Closed)

M/s Universal Dairy, C/o Dr D.V. Doshi, Gitanjali, N. Gamadia Road, Bombay-26—(Gujarat)—Aluminium Milk Cans—(Cancelled)

M/s Philips (I) Ltd; Industrial Dte, Hindustan Time House Bldg; Kasturba Gandhi Marg, New Delhi—(Maharashtra)—Circular Fluorescent Tubes—(Lapsed)

M/s Rana Rubber & Plastic Mills, 2- Church Road, P.O. Box No. 80, Saharanpur—(Uttar Pradesh)— Conveyer Belting—(closed)

M/s Kerala State Industrial Development Corpn. Ltd; Trivandrum—(Kerala)—Rubber Thread—(closed)

Shri H.C. Goenka, C-161, Defence Colony, New Delhi—(Uttar Pradesh)—Finished Leather—(closed)

Shri Lal Gopal Ghatak, Mohani Mansions Road, Calcutta—(West Bengal)—Finished Leather—(Closed)

Shri Azad N. Parikh, 24-Vijay Mahal, D-Road, Bombay—(Maharashtra)—Finished Leather—(Closed)

Shri Abdul Gaffar, Rang Haman, Hawhatta, Srinagar—(J & K)—Finished Leather—(Closed)

Shri Shashi V. Mansata, 87-K, Park Street, Calcutta—(Karnataka)—Semi-Conductor Devices—(Closed)

M/s Murli Rubber Products Ltd; 49-Maharani Gayatri Devi Market, Tripolia Bazar, Jaipur—(Rajasthan)—Fan & V Belts—(Closed)

M/s Radhu Industries, Cinema Building, Shahdara, Delhi—(Uttar Pradesh)—Radhu Fan & V-Belts—(Closed)

M/s Andhra Pradesh Indl. Development Corpn. Ltd; Post Box No, 13, Hyderabad—(Andhra Pradesh)—Paper Cones & Spiders—(Closed)

M/s Indian Aluminium Cables Ltd, Herald House, 2nd Floor, 5-A, Bahadur Shah Zafar Marg, New Delhi—(Uttar Pradesh)—Semi-Conductor Devices—(Closed)

Shri R. Shreenivas, 4-75, Govt. Industrial Estate, Thana—(Maharashtra)—Springs—(Cancelled)

Shri D.K. Jain, c/o Himalika Pvt. Ltd; Kotla Mubarakpur, N-Delhi—(Maharashtra)—Silicones—(Cancelled)

M/s Gupta Iron & Brass Works Ltd; 29,Najafgarh Road, New Delhi—(Uttar Pradesh)—HT Fasteners—(Cancelled)

Shri P.K. Kajaria, 32, Armenian Street, Calcutta—(West Bengal)—H.T. Fasteners—(Cancelled)

Shri B.J. Sahh, 62, Pedder Road, Nalanda A-/24, Bombay—(Karnataka)—H.T. Fasteners—(Cancelled)

Shri K.A.H. Vohra, Marine Garden Court, 191, New Park Street, Calcutta—(West Bengal)—Rubber Products such as High Pressure Braided Hoses, Synthetic Rubber Cots and Aprons—(Closed)

M/s Printers Engineering Company, 20-Sir P.M. Road, Fort, Bombay—(Maharashtra)—Rubber Coverings—(Closed)

RECORDS AND STATISTICS

Annual report of the ministry of Commerce

India's Exports have registered a sustained increase in recent years, despite the prevalence of recessionary situation in the world economy. The exports by the close of 1975-76 are expected to exceed the year's target of Rs 36,000 million by a fair margin, states the annual report of the ministry of Commerce for the year 1975-76.

Bright Outlook

The report points out that the economic outlook for the next year appears to be promising. With the prospects of larger output in both agricultural and industrial sectors, it should be possible to generate more export surpluses and India should be in a position to strike significant increases in its exports during 1976-77.

On the basis of the latest information available, our overall exports including re-exports during the first nine months April-December 1975-76 amounted to Rs 26,890 million showing an increase of 14 6 per cent over the exports for the same period of the previous year. According to the annual report, such an increase coming after doubling of the value of exports in the previous three years from Rs 16,080 million in 1971-72 to Rs 33,040 million in 1974-75 suggests a break in the trend of our exports compared to the performance of the previous two decades.

Real Breakthrough

Although India's exports increased through successive five-year Plans, a real breakthrough in the growth of exports was achieved only during the fourth Plan period. After an annual growth rate of one per cent in the value of exports during the first five-year Plan, the growth rate increased to 2.2 per cent in the second five-year Plan and to 4.1 per cent during the third five-year Plan. The average annul growth rate went up to 13.6 per cent during the fourth Plan period.

In terms of compound growth rate, this increase amounted to 13.2 per cent as compared with the targetted growth rate of seven per cent envisaged in the fourth Plan. During 1974-75, which happens to be the first year of the fifth five-year Plan, exports registered a growth rate of about 31 per cent in continuation of the growth rate of 28 per cent in 1973-74 and 25.5 per cent in 1972-73.

In volume terms, according to the available information, India's exports grew by 6.4 per cent in 1974-75 as compared to 4.2 per cent in 1973-74. Between 1969-70 and 1974-75, the average increase in the quantum of exports was 5.9 per cent. Tentative estimates of indices available for the first half of 1975-76 show a continuation of the trend with volume growth of abou seven per cent in export over the level of the corresponding period of th previous year.

During the course of las decade, India's export trad has achieved a noticeabl degree of structural change The weightage of traditiona items in the total export of the country was heavy until the end of the secon five-year Plan. Thereafter new items of exports have been coming up. The combined share of major traditional exports such as jute manufactures, tea, coffee,

Appendix I

Monthwise India's Imports and Exports during 1974–75 and April to December 1975

(Values in Rs crores)

	Imports		Exports including re-exports	
Months	1974–75	1975–76	1975–75	1975–76
April	330.95	320.19	175.96	243.67
May	300.90	331.49	213.66	254.56
June	342.18	435.55	253.67	287.96
July	356.75	429.68	313.08	290.33
August	270.27	396.20	307.72	380.48
September	338.57	431.82	251.39	271.29
October	313.74	535.93	234.28	285.43
November	331.63	486.34	278.61	333.96
December	439.20	375.03	318.00	341.76
January	509.00		260.68	
February	416.03		309.63	
March	447.25		387.46	
Total	4,464.71		3,204.14	

Notes: (i) Export figures are based on finally passed copy of the shipping mills.

(ii) Monthly total may not add to the cumulative figures because of adjustments.

cotton piecegoods and semi-processed leather in India's total exports increased from 53.5 per cent in 1955-56 to 55.4 per cent in 1960-61 but gradually declined to 51.4 per cent in 1965-66, to 42 per cent in 1968-69 and further down to 28 per cent by 1974-75.

Simultaneously, the combined share of newer items of exports such as engineering goods, chemical and allied products, fish and fish preparations, sugar, iron ore and handicrafts, moved up from 7.2 per cent in 1960-61 to 14.4 per cent in 1975-76 and to as high as 36 per cent by 1974-75,

Overall Increase

According to the annul report, a glance at the performance of these items since the devaluation of the Indian rupee would show that between 1966-67 and 1974-75 exports of engineering goods increased from Rs 230 million to Rs 3,530 million (+1436 per cent), chemical and allied products from Rs 110 million to Rs 950 million (+751 per cent), sugar from Rs 160 million to Rs 3,390 million (+2003 per cent). fish and fish preparation from Rs 180 million to Rs 660 million (+278 per cent), cotton apparel from Rs 20 million to Rs 950 million (+4472 per cent) and handicrafts from Rs 390 million to Rs 1820 million (+371 per cent).

The rise in our exports earnings during the last two years was also contributed a great deal by a degree of commodity boom in the international market. Based on revised indices, the f.o.b. unit value realisation from Indian exports increased by 25.3 per cent in 1974-75 as compared to a rise of 21.7 per cent in 1973-74. The major factors responsible for this improved unit value realisation have been general inflationary trend in world market, and our policy of encouraging exports yielding higher value per unit of quantites.

Within the category of export products, India has tried to increase exports

SYNDICATE BANK

Condensed balance sheet as at 31st December, 1975

(Rounded off to the nearest Rupee)

CAPITAL AND LIABILITIES

		Rs.
1.	Capital (wholly owned by the Central Government)	1,41,97,104
2.	Reserve Fund and other Reserves	3,61,00,000
3.	Deposits and other Accounts	536,59,68,562
4.	Borrowings from other Banking Companies, Agents etc.	44,52,03,520
5.	Bills payable	6,08,00,782
6.	Bills for collection being bills receivable as per contra	31,49,26,005
7.	Other Liabilities	41,33,15,046
8.	Acceptances, Endorsements and other obligations as per contra	20,19,52,387
9.	Balance amount to be transferred to Central Government	23,72,391
	Total	685,48,35,797

PROPERTY AND ASSETS

		Rs.
1.	Cash in hand with Reserve Bank of India and State Bank of India	59,30,10,183
2.	Balances with other Banks	7,26,94,783
3.	Money at call and short notice	8,00,000
4.	Investments (in Govt. and other Trustee Securities, Debentures, Bonds and Shares)	151,35,95,719
5.	Advances (including Bills purchased and discounted)	381,09,21,125
6.	Bills receivable being Bills for collection as per contra	31,49,26,005
7.	Constituents' Liabilities for acceptances, endorsements and other obligations as per contra	20,19,52,387
8.	Premises less depreciation	1,16,64,895
9.	Furniture and fixtures less depreciation	3,12,50,703
10.	Other Assets	30,31,59,243
11.	Non-Banking Assets acquired in satisfaction of claims less depreciation	8,50,754
	Total	685,48,35,797

PIN CODE FOR FAST MAIL

SYNDICATE BANK

WHERE SERVICE IS A WAY OF LIFE

K. K. PAI
Chairman & Managing Director

Head Office: Manipal-576119 (Karnataka)

Iavp 76/98

of more value-added items such as finished leather and manufactures of leather; instant tea, packaged tea and tea bags, instant coffee, jute decorative fabrics, fine and superfine cloth, garments. To take fuller advantage from the price boom in the international market, larger allocations were made in respect of items such as sugar, basmati rice and silverware permitted to be exported. The government made efforts to negotiate and secure higher unit value realisations for some of our primary products such as iron ore.

The directional pattern of exports has also shown changes. During the first three Plan periods, the relative share of our exports to west Europe steadily declined and in the case of North America, it remained more or less steady. At the same time, our exports to east Europe registered a noticeable growth. The share of east European countries in our total exports increased from one per cent in 1955-56 to 7.5 per cent in 1960-61 and 19.4 per cent by 1965-66, the closing year of the third five-year Plan.

In the subsequent years, the relative share of west Europe declined from 27.3 per cent in 1965-66 to 22.7 per cent in 1974-75, of North America from 20 per cent to 12.7 per cent but in the case of east Europe, the share showed a little change when it stood at 20.6 per cent. Subsequent to the third five-year Plan, a major thrust has been made in the case of Asia and Oceania when its relative-share increased from 23.3 per cent in 1965-66 to 38.2 per cent in 1974-75 reflecting partly a substantial expansion in our exports recently ro Gulf countries.

In the case of Africa, the relative share was on continued decline until 1973-74 but the exports have tended to recover well in the last two years. However, in terms of export earnings between 1966-67 and 1974-75, India's exports to Asia and Oceania increased by 325 per cent, to Africa by 227 per cent, and to east Europe by 202 per cent. As compared to these, the increase in exports over these eight years to west Europe was 139 per cent and to North America by 67 per cent.

Nevertheless, last few years have shown an increa in the growth rate of o exports to both west Euro and North America. Fro a virtually nil or negati growth over the second ar third Plan periods, India exports to west Europe gre at a compound growth ra of about 20.5 per cent p annum in the five yea period of 1969-70 to 1974-7 Similarly, in the case c North America the annua growth rate of India's exports to the region increase to 9.7 per cent during thi period as compared to th growth rate of 6.9 per cen in the third five-yea Plan and of 3.5 per cen in the second five-yea Plan. Our exports to th Latin American countries though yet small, have also shown improment.

APPENDIX II

Exports of Principal Items from India

(Value in Rs crores

Sl. No.	Commodities	Unit	1973–74		1974–75		April-Sept. '74		April-Sept. '75	
			Qty.	Val.	Qty.	Val.	Qty.	Val.	Qty.	Val.
1	2	3	4	5	6	7	8	9	10	11
A.	**Agricultural & Allied Products**	Val.	—	681.84	—	951.97	—	427.11	—	511.2
1.	Oil seeds, nuts & kernels	”	—	37.25	—	29.57	—	11.84	—	13.4
	(a) Groundnuts	’000t.	92.3	35.83	55.7	25.56	24.3	10.61	22.7	10.4
2.	Vegetable oils (Non-essential)	”	40.9	31.65	48.1	33.65	37.4	27.61	20.2	13.5
	(a) Castor oil	”	35.7	30.64	22.4	13.83	18.0	12.66	3.7	2.0
	(b) Groundnut oil	”	—	0.04	0.1	0.09	—	0.04	—	0.0
	(c) Others	”	5.2	0.97	27.6	19.73	19.4	14.81	16.5	11.5
3.	Oilcakes	”	1,281.9	178.19	832.3	95.70	376.8	43.60	354.6	29.4
4.	Tobacco unmanufactured	Mill kg.	78.2	68.41	75.0	80.36	48.5	56.62	56.2	76.9
5.	Spices	”	61.4	55.07	51.6	61.33	22.1	22.77	22.0	23.
	(a) Pepper	”	31.6	29.54	26.4	34.47	9.1	11.67	9.3	12.
	(b) Cardamom	”	1.9	11.71	1.7	13.42	0.5	4.07	0.4	3.

—Con

Appendix II (*Contd.*)

1	2	3	4	5	6	7	8	9	10	11
	(c) Ginger	Mill Kg.	5.1	2.56	4.7	3.51	1.9	1.33	1.9	1.45
	(d) Chillies	”	0.6	0.41	0.5	0.32	0.2	0.14	0.4	0.47
	(e) Turmeric	”	7.9	3.70	9.2	4.14	4.9	2.24	4.3	1.65
	(f) Others	”	14.3	7.15	9.1	5.47	5.5	3.32	5.7	3.45
	6. Raw cotton	000t.	54.9	32.42	20.0	15.22	15.9	12.25	15.5	11.90
	7. Raw jute	”	15.6	3.76	71.7	17.48	31.9	7.48	22.3	6.25
	8. Sugar (excl. mollases)	”	252.5	42.69	694.6	339.01	240.6	102.38	431.3	195.57
	9. Fruits & Vegetables and Pulses	Val.	—	92.52	—	136.46	—	73.74	—	68.25
	(a) Cashew kernels	000t.	52.3	74.43	65.0	118.14	36.1	66.09	28.7	52.76
	(b) Bananas	”	—	—	—	—	—	—	—	—
	(c) Pulses	”	7.5	1.88	5.4	1.57	3.2	0.82	3.1	1.02
	(d) Onions	”	64.6	5.18	69.0	5.34	27.2	1.71	65.9	6.50
	(e) Other fruits & vegetables	Val.	—	11.03	—	11.41	—	5.12	—	8.87
	10. Gums and Resins & Balsams	’000t.	9.1	6.19	10.3	8.39	6.1	4.92	3.2	2.47
	11. Lac	”	5.6	14.39	7.3	24.83	4.4	15.20	2.7	5.93
	12. Essential oils, perfumes & flavour materials	Val.	—	6.29	—	9.33	—	5.77	—	2.35
	(a) Lemongrass oil	”	—	2.07	—	0.88	—	0.55	—	1.28
	(b) Sandlewood oil	”	—	3.52	—	7.09	—	4.52	—	0.93
	(c) Others	”	—	0.70	—	1.36	—	0.70	—	0.14
	13. Meat & meat preparations	”	—	6.95	—	5.04	—	2.95	—	2.83
	14. Animal casings	”	—	1.53	—	2.16	—	0.94	—	1.19
	15. Rice	000t.	23.3	8.24	41.7	21.50	15.4	6.02	7.2	3.73
	16. Raw wool	”	5.5	7.04	4.2	6.57	1.5	2.27	1.5	1.98
	17. Fish	”	48.3	89.42	38.9	66.17	16.9	31.82	25.3	52.29
B.	**Plantations**	Val.	—	192.04	—	275.35	—	120.87	—	144.93
	18. Tea	Mill Kg.	192.1	146.03	224.8	223.99	93.4	88.05	94.9	108.35
	19. Coffee	’000t.	52.7	46.01	49.5	51.36	28.2	32.82	39.0	36.58
C.	**Ores, Minerals & Scraps**	Val.	—	177.33	—	229.56	—	77.96	—	117.99
	20. Iron ore	Mill t	23.7	132.87	22.3	160.39	7.6	49.25	8.3	81.12
	21. Mica	Mill. kg.	25.8	12.99	34.2	18.18	13.9	9.21	12.7	7.68
	22. Manganese ore	’000t.	793.8	9.43	1,031.4	17.20	476.8	6.85	293.3	6.40
	23. Ores & minerals other than iron ore, manganese ore & mica	Val.	—	19.12	—	27.72	—	10.60	—	19.89
	24. Iron and steel scrap	’000t.	111.6	2.92	103.5	6.07	44.0	2.05	66.7	2.90
D.	**Textile Fabrics & Manufactures (Excluding Coir & Jute)**	Val.	—	370.88	—	371.83	—	202.39	—	149.19
	(a) Textile fabrics.	”	—	231.76	—	184.86	—	108.32	—	63.70
	25. Cotton piecegoods (millmade)	Mill sq.mtr.	653.2	162.66	370.3	129.58	217.2	77.34	132.4	39.76
	26. Fabrics of art silk & synthetic fibre & spun glass (millmade)	Mill.	77.5	28.33	28.6	18.13	18.0	10.64	10.0	5.81
	27. Handloom fabrics of all kinds	Val.	—	38.68	—	35.49	—	19.57	—	17.05
	(i) Handloom cotton piecegoods	Mill mtr.	68.0	32.38	49.9	29.14	29.6	16.24	21.3	13.84
	(ii) Handloom fabrics of art silk & synthetic fibre spun glass	”	0.3	0.12	0.2	0.14	0.1	0.10	0.2	0.10
	(iii) Handloom fabrics of silk	Val.	—	6.18	—	6.21	—	3.23	—	3.11
	28. (a) Woollen fabrics	”	—	2.09	—	1.66	—	0.77	—	1.08
	(b) Other textile manufactures	”	—	139.12	—	186.97	—	94.07	—	85.49
	29. Cotton yarn	Mill kg.	10.4	11.40	9.9	18.28	4.9	8.04	1.2	1.67

—*Contd.*

Appendix II (*Contd.*)

1	2	3	4	5	6	7	8	9	10	1
	30. Machine-made carpets	Val.	—	3.17	—	2.38	—	1.16	—	1.
	31. (a) Cotton apparel	”	—	67.40	—	95.09	—	48.31	—	56.
	(b) Cotton hosiery	”	—	3.16	—	5.34	—	3.03	—	2.
	(c) Other cotton manufactures	”	—	31.88	—	44.99	—	22.88	—	15.
	32. Misc. textile manufactures	”	—	22.11	—	20.39	—	10.65	—	7.
E.	**Manufactures of Coir & Jute**	”	—	242.81	—	313.60	—	177.53	—	131.
	33. Coir yarn & manufactures	’000t.	45.6	15.34	42.0	17.92	19.7	8.13	15.9	8.
	34. Jute manufactures	Lakh t	5.63	227.47	5.86	295.68	3.55	169.40	2.50	123.
F.	**Leather & Leather Mfrs. (hides & skins raw)**	Val.	—	187.02	—	165.37	—	85.85	—	94.
	35. Hides & Skins raw, not Leather	”	—	1.53	—	0.42	—	0.25	—	0.
	36. Footwear made of leather & canvas	Mill pair	14.0	13.30	17.3	20.04	8.4	9.13	4.9	7.
	37. Leather & Leather mfrs. (exl. footwear)	Val.	—	172.19	—	144.91	—	76.47	—	86.
	(a) East India tanned hides and skins	Mill kg.	18.2	85.60	13.9	61.03	6.3	31.41	9.3	36.
	(b) Finished leather	”	4.5	16.39	5.4	30.32	2.8	15.40	3.2	21.
	(c) Chrome tanned	”	19.5	62.98	11.6	40.73	6.6	22.82	6.8	23.
	(d) Leather misc.	Val.	—	1.61	—	1.77	—	1.11	—	0.
	(e) Leather manufactures	”	—	5.61	—	11.06	—	5.73	—	4.
G.	**Engineering Goods**	Val.	—	201.68	—	352.75	—	140.94	—	184.
	38. (a) Metal manufactures	Val.	—	49.46	—	75.98	—	32.49	—	38.
	(b) Machinery other than electric	”	—	46.91	—	89.79	—	34.83	—	52.
	(c) Electrical machinery, apparatus & appliances	”	—	28.75	—	56.29	—	23.48	—	30.
	(d) Transport equipment	”	—	40.37	—	64.25	—	20.85	—	38.
	(e) Other engineering. goods	”	—	36.19	—	66.34	—	29.29	—	24.
H.	**Handicrafts**	”	—	173.62	—	182.11	—	91.03	—	97.
	39. (a) Handmade carpets & druggets	”	—	25.46	—	35.08	—	15.66	—	18.
	(b) Artware metals (brass & copper)	”	—	12.72	—	15.67	—	8.12	—	9.
	(c) Pearls, precious & semi-precious stones (unworked and worked)	”	—	106.90	—	94.90	—	49.32	—	51.
	(d) Zari goods	”	—	0.27	—	0.52	—	0.18	—	0.
	(e) Textiles hand-printed	”	—	2.18	—	2.77	—	1.51	—	1.
	(f) Woodware	”	—	6.43	—	6.69	—	3.55	—	2.
	(g) Jewellery incl. imitation jewellery	”	—	4.68	—	8.09	—	4.17	—	3.
	(h) Woollen shawls, lohies etc.	”	—	3.53	—	4.55	—	2.23	—	3.
	(i) Other handicrafts	”	—	11.45	—	13.84	—	6.29	—	8.
I.	**Other Manufactures**	”	—	155.46	—	203.58	—	86.71	—	133
	40. Iron and steel	”	—	26.16	—	20.56	—	3.55	—	24
	41. Ferro-manganese & ferro alloys	’000t.	52.5	5.29	29.5	6.23	21.1	3.59	—	
	42. Minerals, fuels, lubricants & related materials (incl. coal & coke)	Val.	—	15.34	—	20.42	—	8.47	—	16
	43. Chemicals & allied products	”	—	50.30	—	92.46	—	43.58	—	42
	44. Plastic & plastic mfrs.	”	—	5.62	—	7.71	—	3.78	—	3
	45. Cotton waste	’000t.	9.2	4.24	2.8	1.78	1.8	1.20	2.4	1
	46. Tobacco manufactures	Mill kg.	2.9	2.50	3.0	1.86	1.0	0.62	2.3	2
	47. Rubber manufactures & crude rubber	Val.	—	10.70	—	14.20	—	7.12	—	4
	48. Paper & paper-board	”	—	6.91	—	7.47	—	3.68	—	1

—Con

Appendix II (*Contd.*)

1	2	3	4	5	6	7	8	9	10	11
	49. Cement	'000t.	160.7	2.52	301.8	8.58	27.4	0.65	147.0	4.63
	50. Glass and glassware	Val.	—	3.67	—	4.64	—	2.32	—	2.65
	51. Wood, lumber & cork mfrs.	,,	—	22.21	—	17.67	—	8.15	—	8.76
J.	**52. Miscellaneous Items incl. Re-exports**	,,	—	140.72	—	258.02	—	105.09	—	183.53
	Grand Total of Exports incl. Re-exports	Val.	—	2,523.40	—	3,304.14	—	1,515.48	—	1,728.30

APPENDIX III

Unit Value of Selected Export Commodities

(Value in Rs.)

S. No.	Commodities	Unit	1973-74	1974-75	April to September	
					1974	1975
1	2	3	4	5	6	7
1.	Jute manufactures	Tonne	4,034.19	5,048.67	4,772.58	4,951.45
2.	Tea	Kg.	7.61	9.97	9.43	11.42
3.	Coffee	Kg.	8.60	10.38	11.38	9.39
4.	Cotton piecegoods (millmade)	Sq. mtrs.	2.48	3.50	3.56	3.00
5.	Cotton piecegoods (handlooms)	Mtrs.	4.73	5.90	5.49	6.48
6.	Iron ore	Tonne	55.93	71.94	64.47	97.34
7.	Manganese ore	Tonne	118.71	166.73	443.75	218.09
8.	Mica	Kg.	6.63	5.32	6.61	6.04
9.	Cashew kernel	Tonne	14,233.67	18,167.98	18,295.44	18,403.18
10.	Footwear made of leather & canvas	Pairs	9.48	11.61	10.89	15.55
11.	Tobacco unmanufactured	Kg.	8.75	10.72	11.46	3.69
12.	Spices	Tonne	8,988.40	11,893.86	10,283.71	10,499.52
	(*a*) Pepper	Tonne	9,331.02	13,088.41	12,783.63	13,302.77
	(*b*) Cardamom	Tonne	61,278.23	79,069.68	74,181.85	90,980.66
13.	Oilcakes	Tonne	1,393.25	1,149.84	1,157.95	831.30
14.	Cotton raw	Tonne	5,904.54	7,607.97	7,683.68	7,671.00
15.	Fish	Tonne	18,827.49	17,020.81	18,797.81	20,669.44
16.	Wool raw	Tonne	12,859.37	15,597.80	14,816.91	13,393.34
17.	Lac	Tonne	25,669.77	33,180.22	34,931.35	22,069.87
18.	Iron & steel scrap	Tonne	260.36	586.48	466.33	434.39
19.	E.I. tanned hides & skins	Kg.	47.08	43.92	49.56	39.88
20.	Finished leather	Kg.	37.14	57.24	55.14	66.61
21.	Chrome tanned	Kg.	32.58	35.00	34.60	34.19
22.	Castor oil	Tonne	8,500.72	6,768.33	7,017.45	5,470.24
23.	Groundnuts	Tonne	3,933.57	4,587.65	4,359.80	4,599.35
24.	Cotton yarn	Kg.	10.91	18.51	16.42	14.22
25.	Coir yarn & manufactures	Tonne	3,365.47	4,263.89	4,131.46	5,220.51
26.	Sugar	Tonne	1,687.01	4,880.97	4,187.97	5,534.49

Exports to Major Destinations

(Rs crores)

Region/countries	1973–74	1974–75	April to Sept.	
			1974	1975
1	2	3	4	5
West Europe	659.87	747.87	356.08	396.42
(i) ECM Countries	606.78	687.46	328.37	354.05
(a) Belgium	44.38	51.79	28.84	15.30
(b) Denmark	13.05	9.70	5.32	4.17
(c) France	48.57	83.91	33.91	40.21
(d) Federal Republic of Germany	86.37	105. 4	45.39	49.58
(e) Italy	69.32	52.13	27.32	26.95
(f) Netherlands	73.26	70.92	28.29	22.92
(g) Ireland	9.07	7.62	2.36	5.17
(h) United Kingdom	262.64	306.34	156.94	189.75
(ii) Other West Europe	53.09	60.41	27.71	42.37
(a) Austria	1.59	1.97	0.83	0.88
(b) Norway	4.70	3.97	1.64	1.84
(c) Sweden	14.40	15.67	7.18	5.86
(d) Switzerland	12.24	15.92	6.95	25.76
(e) Finland	2.25	2.17	0.77	0.75
(f) Greece	2.31	3.09	1.23	1.81
(g) Malta	0.21	0.35	0.18	0.17
(h) Spain	11.47	8.44	4.29	2.68
(i) Turkey	3.84	8.70	4.56	2.14
Asia and Oceania	878.38	1,193.23	488.15	638.65
(i) ESCAP	737.07	904.97	380.91	509.73
(a) Afghanistan	14.99	14.52	4.02	11.67
(b) Australia	50.75	61.19	38.32	20.27
(c) Burma, Rev. Govt. of the Union of	1.54	4.62	0.94	4.90
(d) Sri Lanka	9.82	26.76	11.32	10.53
(e) China Rep. (Formosa)	2.55	3.19	0.98	2.89
(f) Hong Kong	35.97	27.19	14.17	13.01
(g) Indonesia	26.78	50.90	7.07	8.92
(h) Iran	42.78	214.46	68.86	145.64
(i) Japan	358.52	294.91	138.68	176.56
(j) Korea, Dem. Peoples Rep of	3.17	2.62	2.30	4.48
(k) Korea, Rep of	6.03	17.58	3.23	12.55
(l) Malaysia	24.62	26.08	14.20	14.28
(m) Nepal	30.13	42.40	17.73	21.54
(n) New Zealand	13.35	20.73	14.12	5.80
(o) Bangladesh	58.78	42.18	17.42	26.60
(p) Philippines	3.45	3.97	2.00	4.93
(q) Singapore	43.37	36.42	19.16	20.93
(r) Thailand	9.42	12.31	5.98	4.21
(s) Vietnam, Rep. of	0.82	0.75	0.30	0.01
(ii) Rest of Asia & Oceania	141.31	288.26	107.24	128.92
(a) Bahrein Is.	8.94	9.33	3.48	4.83
(b) Cyprus	1.63	0.66	0.43	0.34
(c) Dubai	22.31	39.61	17.07	22.03
(d) Iraq	20.25	72.30	19.87	30.51
(e) Jordan	3.69	15.41	2.03	4.46
(f) Kuwait	21.23	38.07	16.26	13.00
(g) Lebanon	2.99	4.08	1.52	1.66
(h) Muscat & Oman	6.19	16.21	7.71	8.03
(i) Qatar	6.93	8.61	3.57	3.60
(j) S. Yemen, People's Rep. of	5.67	14.28	7.04	1.72
(k) Saudi Arabia	25.71	35.42	15.08	27.61
(l) Syria	2.55	7.14	6.04	0.61
Africa	101.70	234.92	83.23	120.26
(a) Ethiopia	2.73	3.19	1.34	1.69
(b) Ghana	1.25	2.44	1.26	0.70
(c) Kenya	10.26	14.84	7.54	7.79
(d) Libya	5.06	8.60	4.91	1.46
(e) Malawi	1.87	3.04	1.66	1.16
(f) Mauritius & Dependencies	3.99	6.01	2.70	2.44
(g) Morocco	10.86	12.61	0.76	0.22
(h) Nigeria	11.48	21.61	5.68	18.62
(i) Other East African Countries	1.32	2.46	1.29	1.08
(j) Sierra Leone	1.63	2.43	1.22	1.09
(k) Somalia	1.12	1.54	10.56	0.87
(l) Sudan	18.59	66.46	25.49	30.47
(m) Swaziland	1.54	2.34	1.59	0.58

—Contd.

Appendix IV—*Contd.*

1	2	3	4	5
(n) Tanzania	6.91	9.16	4.15	4.82
(o) Tunisia	1.19	0.95	0.60	0.22
(p) Uganda	3.40	4.41	1.60	0.91
(q) ARE	14.88	52.44	12.58	37.50
(r) Zambia	3.82	9.43	3.46	2.28
America	391.00	442.27	255.72	233.61
(a) Canada	31.05	43.96	26.87	17.31
(b) USA	345.28	375.03	216.84	206.00
(c) Latin America	12.10	19.73	10.62	6.86
(i) Argentina	6.42	10.63	5.90	1.78
(ii) Brazil	2.25	3.31	2.17	1.96
(iii) Chile	0.46	1.16	0.39	0.54
(iv) Panama, Rep. of	0.39	0.67	0.29	0.31
(v) Mexico	0.44	0.87	0.28	0.62
(vi) Paraguay	0.22	0.23	0.18	0.02
(vii) Peru	0.59	0.65	0.32	0.66
(viii) Uruguay	0.29	0.81	0.57	0.50
(d) Other American Countries	2.57	3.55	1.39	3.44
(i) Barbados	0.25	0.26	0.11	0.08
(ii) Guyana	0.57	0.93	0.33	0.54
(iii) Netherlands, Antiles	0.35	0.55	0.23	0.29
(iv) Trinidad & Tobago	0.60	0.86	0.36	2.00
(v) Windward & Leeward Islands	0.38	0.27	0.12	0.07
East European Countries	487.39	680.34	329.56	334.62
(a) Bulgaria	21.36	17.11	5.43	9.99
(b) Czechoslovakia	43.77	60.17	30.86	15.30
(c) German Democratic Republic	21.99	34.40	16.33	13.07
(d) Hungary	24.02	19.44	8.52	4.59
(e) Poland	51.34	76.91	30.47	35.18
(f) Rumania	15.16	24.50	8.63	15.40
(g) USSR	285.89	418.12	216.13	224.60
(h) Yugoslavia	23.86	29.69	13.19	16.49
Total Exports (incl. Re-exports)	2,523.40	3,304.14	1,515.48	1,728.30

Appendix V

India's Imports from Regions and Principal Countries

(Rs crores)

Region & principal countries			April to September	
	1973-74	1974-75	1974	1975
1	2	3	4	5
West Europe	762.5	927.3	402.1	555.8
(i) ECM Countries	704.0	839.0	369.0	471.4
(*a*) Belgium	65.7	101.9	32.7	52.5
(*b*) France	70.3	81.2	33.0	42.6
(*c*) Fed. Rep. of Germany	205.8	306.9	138.6	168.6
(*d*) Italy	49.4	78.4	36.6	45.7
(*e*) Netherlands	56.6	47.6	24.2	32.9
(*f*) UK	252.2	213.4	97.3	124.4
(*g*) Denmark	4.0	5.2	2.1	4.6
(*h*) Ireland	Negl.	4.4	4.4	Negl.
(ii) EFTA Countries	52.4	72.4	26.7	80.8
(*a*) Switzerland	16.9	36.9	10.7	27.4
(*b*) Sweden	23.9	26.0	10.8	43.5
(iii) Other European Countries	6.1	15.9	6.4	3.6
Asia and Oceania	954.6	1,777.2	828.7	806.3
(i) ESCAP	673.0	1,127.2	506.6	500.2
(*a*) Japan	259.5	453.5	169.6	179.5
(*b*) Australia	43.8	118.5	52.0	43.8
(*c*) Burma	Negl.	Negl.	Negl.	Negl.
(*d*) Iran	267.6	472.7	251.6	211.8
(*e*) Nepal	13.0	19.3	10.7	15.6
(*f*) Thailand	1.8	2.3	1.1	14.6
(*g*) Afghanistan	15.1	17.9	2.9	2.7
(*h*) Ceylon (Sri Lanka)	0.9	0.2	Negl.	0.1
(*i*) New Zealand	8.2	1.1	0.9	0.2
(*j*) Malaysia	32.1	11.2	5.8	6.5
(*k*) Singapore	9.7	7.2	2.8	5.1
(ii) Rest of Asia & Oceania	281.6	650.0	322.1	306.1
(*a*) Iraq	61.2	251.3	130.4	101.6
(*b*) Kuwait	71.1	63.7	29.5	23.4
(*c*) Jordan	8.9	24.0	11.6	3.4
(*d*) S. Yemen, People's Rep. of	Negl.	Negl.	Negl.	Negl.
(*e*) Saudi Arabia	131.4	297.6	147.6	137.2
America	670.5	953.3	287.9	637.9
(i) North America	614.3	859.5	271.7	631.7
(*a*) USA	498.4	729.1	215.7	550.4

—*Contd.*

1	2	3	4	5
(*b*) Canada	115.9	130.4	56.0	23.8
(ii) Latin America	56.0	93.2	16.1	6.1
(*a*) Argentina	40.5	77.2	13.9	0.3
(*b*) Brazil	10.9	2.9	1.1	2.1
(*c*) Colombia	Negl.	Negl.	Negl.	Negl.
(*d*) Mexico	4.1	12.4	0.8	2.9
(*e*) Peru	Negl.	Negl.	Negl.	Negl.
(iii) Other American Countries	0.2	0.6	0.1	0.1
East European Countries	400.5	653.3	328.8	256.9
(*a*) USSR	254.7	402.5	236.6	135.1
(*b*) Czechoslovakia	26.7	33.3	15.1	24.9
(*c*) GDR	25.1	33.3	14.6	9.9
(*d*) Hungary	11.3	21.3	8.5	12.7
(*e*) Romania	14.1	31.2	13.0	18.5
(*f*) Poland	46.2	92.9	30.8	38.6
(*g*) Bulgaria	13.8	29.1	4.9	12.8
(*h*) Yugoslavia	8.6	9.7	4.7	4.4
Africa	167.3	150.3	85.1	60.
(*a*) ARE	25.9	22.8	10.5	17.
(*b*) Sudan	21.9	5.0	1.4	3.
(*c*) Zambia	34.5	27.8	19.4	2.
(*d*) Tanzania, United Republic of	29.0	25.5	15.0	12.
(*e*) Tunisia	Negl.	Negl.	Negl.	Negl
(*f*) Kenya	17.4	9.8	7.0	5.
(*g*) Morocco	8.6	19.0	11.0	1.
(*h*) Congo, Dem. Rep. of (Zaire)	11.8	10.4	3.3	1.
(*i*) Congo (Brazaville)	4.9	3.5	3.5	0.
(*j*) Ghana (Kinshasa)	1.9	1.4	0.6	1.
(*k*) Other E.A. Countries	9.2	19.9	12.2	9.
Grand Total (incl. other countries)	2,955.4	4,468.1	1,932.7	2,406.0

Production Requirements of Pesticides by 1978-79

(In tonne

Name of pesticides/insecticides 1	1978-79 demand estimate 2	Installed capacity 3	Capacity covered by licences/ letters of intent 4	Capacity likely to be created in public sector 5	Gap like 6
Insecticides					
BHC (For agricultural use only)	25,900	28,900	33,300	—	—
DDT (For agricultural use only)	5,000	4,088	—	5,000	—
Malathion (For agricultural use only)	3,500	1,700	7,400	1,800	—
Endrin	80	—	—	—	—
Aldrin/Heptachlor/Dieldrin	450	—	—	—	450
Chlordane	140	—	—	—	140
Endosulfan	1,800	—	4,000	1,600	—
Toxaphene	1,200	250	1,500	—	—
Carbaryl	8,500	—	7,000	—	1,500
Parathion Metasytox Fenitrothion	3,000	2,550	275	—	—
Dimethoate	500	350	900	—	—

—*Con*

Production Requirements of Pesticides by 1978-79—*Contd.*

1	2	3	4	5	6
Phosphamidon	650	636	—	—	—
DDVP	300	276	1,400	—	—
Monocrotophos	450				
Phorate	450	—	1,050	—	—
Disyston	200	—	—	—	200
Thiodemeton	200	—	—	—	200
Formothion	200	—	—	—	200
Thiometon	100	—	—	—	100
Quinalpinos	300	200	—	—	100
Cytrolene	250	—	250	—	—
Mis. Insecticides (Carbafuran, Aldicarb, Methomyl, Phenothoate, Dicrotophos, Phosvel, etc.)	1,330	600	1,050	—	—
Fungicides					
Copper Oxychloride	650	2,284	—	—	—
Thiocarbamates (Zineb, Maneb etc.)	5,000	3,550	2,400	—	—
Nickel Chloride	150	300	—	—	—
Organo Mercurials	15	86	—	—	—
Wettable Sulphur	1,000	1,500	—	—	—
Other Miscellaneous Fungicides					
Like Benlate, Organic Tin, Compounds Hinosen, PCNB, Vitavax Plantavax, Fenitiazon etc.	500	—	135	—	365
Acaricides					
Tedion/Morocide/Ethion/Morestan/Kelthane	150	—	120	—	30
Antibiotics					
Aureofungin and Streptocyycline	5	0.5	—	—	4.5
Weedicides					
2, 4-D and 2, 4, 5, T Group	1,000	1,935	—	—	—
Paraquat	500	—	2,500KL	—	—
Dalapon	800	—	250	—	—
Propanil	250	—	1,500	—	—
Nitrofen	500	—	—	—	—
Triallete/Alachlor/Butachlor/Propachlor	800	—	—	—	800
MSMA/DSMA	800	—	1,000	—	—
Experimental and Miscellaneous Herbicides					
Banvel, Probe Trufluralin, Sinabar, Sirmate, Triazine, Sub-Ureas etc.	800	—	—	—	800
Plant Growth Regulants					
Cycocel, Ethephnon, Maleic Hydrazide, Alar, Gibberellic Acid	200	10	281	—	71
Rodenticides					
Zinc Phosphide/Warfarin/Coumafuryl/Cynodust	300	516	—	—	—
Fumigants					
Aluminium Phosphide	1,000	450	180	—	370
MB/EDB etc.	800	608	—	—	192
Nematocides					
Metham N. Sodium/Terracur/DBCP/DDT/Telone etc.	100	—	50	—	50

Source : Guidelines For Industries: 1976-77.

EASTERN ECONOMIST

INDEX TO VOLUME 65

Nos. 14 TO 26

OCT. TO DEC. 1975

ABBREVIATIONS

Leading Article	LA
Point of View	PV
Capital's Corridors	CC
Window on the World	WW
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS
Feature	FE
Annual Number	AN

(For Company Affairs see pages 1310 & 1313)

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A

Administration

Cabinet Reshuffle .. TW 1045
Delivering the Goods .. LA 725
Despite the Dust and Din .. LA 889
Discipline in Law-Making PV 807
Doctor's Dilemma .. LA 933
Esperanto in Politics .. LA 891
Lest We Forget .. LA 802
Meaning Business? .. LA 931
What did he say? What did he mean? .. LA 973

Aid, Loans and Grants

ADB's Loans to Sri Lanka TW 706
Iranian Loan for Kudremukh .. TW 914
Loan from Canada .. TW 820
Norwegian Aid for Fertiliser Import .. TW 1045
Soviet Wheat Loan .. TW 912
UK Loan .. TW 1096
UNFPA Assistance .. TW 914
Academicus .. BB 696,946, 1088

Anand, D.P. .. PV 777

B

Banking, Money and Finance

Asian Clearing Union .. TW 873
Assistance to Priority Sector .. TW 745
Baggage Allowance .. TW 1098
Banks and Exports .. LA 805
Bonds Against Black Money .. TW 820
Central Loan to Bihar .. TW 653
Chasing Bank Money .. LA 1114
Committee for Banking .. TW 703
Credit for Export .. TW 819
Credit Policy for 1975-76 Busy Season .. RS 883
Credit Relaxation .. CC 631
Credit to Cotton Mills .. TW 998
Deposits with Non-Financial Firms .. TW 786
Disclosures Scheme Modified .. TW 1045
Facilities for Business Travel .. TW 703
Faith Does It .. LA 1020
For the Busy Season .. LA 772
Hayek's Pure Theory of Capital .. PV 1119
IDBI: Expanding Operations .. LA 773
IDBI Term Lending Rates Raised .. TW 1045
IDBI's Operations: 1974-75 RS 762
Income and Wealth Disclosures .. CC 1117
Japan Bank Rate .. TW 820
Liberal Exchange for Exporters .. TW 957
Mobilising Money .. LA 1069
Money not for Jam .. LA 890
Money Supply with the Public .. RS 831,1011, 1147

NCDC Bonds .. TW 999
New Credit Policy .. TW 872
New IMF Fund .. TW 872
New Loan Floated by TNEB .. TW 788
Non-Resident Accounts .. TW 743, 820
Pitfalls in Credit Policy .. LA 975
Pound Rate Revised .. TW 1096
Profitability of Commercial Banks .. PV 679
Profiteering: An Economic Analysis .. PV 732
Provident Fund, Decentralisation of .. TW 788
Reserve Bank of India .. RS 831,1011, 1147

Rupee-Pound Link, Farewell To .. LA 626
Rural Banks .. CC 631
Rural Credit and Regional Banks .. PV 636
Rural Credit in Uttar Pradesh .. PV 734
Scheduled Commercial Banks .. RS 831,1011, 1147

Security Prices, Index Numbers of .. RS 830,1010, 1146

Support for Turnkey Jobs .. TW 743
Uganda Repatriates, Compensation for .. TW 1127
UK Bank Rate .. TW 958
Units for Non-Resistents .. TW 872
Voluntary Disclosure of Unaccounted Income .. RS 760
Voluntary Disclosure Scheme .. TW 1042
Voluntary Disclosure Scheme Clarified .. TW 996
Voluntary Disclosures .. TW 956
Wooing Small Savers .. LA 935

Books Briefly

A Survey of Research in Demography .. BB 1088
Books Received .. BB 702,952, 1095

Business in W. Germany .. TW 1131
Capital Intensity and Productivity in Indian Industry .. BB 946
Centre-State Financial Relations .. BB 1088
China and the Third World BB 702
Chit Funds .. BB 946
"Dawa" for Delhi .. LA 892
Demand and Supply of Eggs .. BB 696
Development without External Assistance .. BB 1088
ECM and India .. BB 1088
Elementary Education in India—A Promise to Keep .. BB 696
Impact of Drought on Rural Life .. BB 1088
Incentives and Productivity in Public Enterprises .. BB 1088
Law of Mineral Concessions in India .. BB 702
Legal Aspects of Development Banking .. BB 946
Management of Development Banks .. BB 696
Parched Earth—The Maharashtra Drought 1970-73 BB 696
Redistribution with Growth BB 946
Role of Nominee Directors of Financial Institutions BB 696
Steps to International Monetary Order .. BB 946
Tax Planning in Respect of Capital Gains .. BB 946
The Politics of Scarcity .. BB 6
Balasubramanian, V. .. PV 10
Balasubramanian, V. .. AN 11
Brook, E.B. WW 692, 7
854, 9
991, 10
11

Bruce Grant .. WW 6

C

Collaborations

Basis of Enduring Relations, The .. FE 86
Bhilai and Bokaro: Significant Landmarks .. FE 86
Economic Cooperation Conference .. WW 81
Foreign Collaborations .. RS 96
India-Iran Joint Ventures CC 67
India-Zaire Economic Cooperation .. TW 99
Indian Assistance for Oil in Tanzania .. TW 91
Indo-Belgian Joint Ventures .. TW 958
Indo-Hungarian Cooperation .. TW 740, 912
Indo-Italian Cooperation .. TW 874
Indo-Syrian Cooperation .. TW 958
Indo-US Accord .. LA 771
Indo-US Joint Commission .. RS 759
Indo-Yugoslav Panel .. TW 912
Industrial Estate in Kabul TW 873
Joint Ventures Abroad .. TW 1046
Promoters of Cooperation FE 866
Tax on Foreign Collaboration .. TW 872
Two Decades of Friendship FE 860

Company Affairs

Association of Consulting Engineers .. TW 1127
Banderols on Matches .. TW 653
Bauxite for BALCO .. CC 1117
Bharat Earth Movers .. TW 787
BHEL Foundry Forge .. TW 787
BHEL's Diversification .. CC 1117
BHPV .. TW 653
BHPV: Significant Strides .. LA 1022
Central Ware Housing Corporation .. TW 706
Consultancy for Hydro Projects .. TW 745
DCM Microcomputer System .. TW 1098
Everyman s Exercising Cycle .. TW 956
FCI .. TW 746
Gwalior Rayons' Thai Venture .. TW 1098
Hindalco's Output .. TW 875
Hindustan Cables .. TW 788
Hindustan Insecticides .. TW 788
Hindustan Petroleum .. TW 875
IDBI: Expanding Operations .. LA 773
IDBI's Operations: 1974-75 RS 762
IDPL .. TW 705
IDPL'S New Formulations Plant .. TW 875
IFCI Aid .. TW 653
IFCI: New Dimension .. LA 672
Instrumentation Ltd .. TW 705
International Steel Institute .. TW 875

Dry Cells .. TW 957
rgi India .. TW 1046
adras Refinery Expansion .. CC 1117
athura Refinery .. TW 653
edicines for the Millions: Synthetic Drugs Plant at Hyderabad: A Profile ... RS 880
ineral Exploration Corporation .. TW 998
ore of R & D .. LA 976
CDC Bonds .. TW 999
ew Ship From England .. TW 787
PCC's Performance .. CC 631
rofiteering: An Economic Analysis .. PV 732
Profits in Public Sector .. TW 820
Support for Turnkey Jobs .. TW 743
Syndicate Bank's Golden Jubilee .. TW 786
Takeover of Burmah Shell .. CC 1023
Units for Non-Residents .. TW 872
Wages Payment Act .. TW 957

Company Meetings

India Steamship Co., Ltd... 660
Jyoti Ltd, Baroda .. 711
Scindia Steam Navigation Co. Ltd. .. 1140
The Calcutta Electric Supply Corporation Ltd. .. 954
A Decade of Consumers' Cooperatives: 1962-72 .. PV 843

Chamola, S.D. .. PV 1119
Chattopadhyaya, D.P. .. PV 899
Chopra, S.P. .. FE 860
Chopra, S.P. .. AN 1167

D

Delegation

Delegation from Kuwait .. TW 1130
FICCI Team in Iran .. TW 1099
Woollen Exporters for West Asia .. TW 70

Dalmia, M.D. .. PV 895

E
Economy

A Decade of Consumers' Cooperatives: 1962-72 .. PV 843
Aluminium Distribution .. TW 786
Changing Face of Rajasthan .. LA 775
Entreprennurship and Growth .. A 1070
Estimates of National Product and Related Aggregates: 1973-74 RS 1005
Fiscal Measures for Faster Growth .. RS 793
Fuel Efficiency Training Course .. TW 999
How Canada Controls Foreign Investment .. WW 1034
India in 1975: A Statistical Roundup .. AN 1249
India in 1975: In World Perspective .. AN 1153
Indian Economy in 1975 .. TS 1104
Indo-US Accord .. LA 771
International Trade, Payments and Development Finance .. RS 919
More of R & D .. LA 976
New Economic Order, Seminar On .. TW 787, 999
Not for Friends' Sake .. LA 770
Ordinance on Bonus .. TW 652
Ordinance on Bonus Law .. RS 664
Ordinance of Residential Tenancy .. TW 1097
Ordinance on Smugglers' Property .. TW 913
Ordinances to Regulate Press .. RS 1144
Press Ordinances .. TW 1126
Profiteering: An Economic Analysis .. PV 732
Programme for Prohibition TW 703
Signals from a Changing World .. WW 904
Stray Thoughts of An International Banker .. PV 1027
The Netherlands Bank World Forecast for 1976 WW 810
3.1 per cent Increase in National Income .. RS 882
TV Goes Commercial .. TW 1126
US Internatonal Economic Policy: Ends and Means .. WW 907
Utilisation of Ground Water .. TW 706
Water Resources Management .. TW 1126
Wooing Small Savers .. LA 935

Exhibitions and Fairs

At the Frankfurt Automobile Fair .. PV 983
GDR Exhibition .. TW 956
Indo-Hungarian Cooperation .. TW 912
Man-Made Textiles Fair in Bombay .. TW 1131
Poznan Trade Fair .. TW 654
Tehran Trade Fair .. TW 654

Exports

Awards for Outstandding Exports .. TW 998
Banks and Exports .. LA 805
Consortium for Tower Exports .. TW 958
Credit for Export .. TW 819
Demannd for Indian Lathes .. TW 996
Engineering Exports .. LA 774
Engineering Exports to the US .. TW 957
Export Incentives .. CC 729
Export of Oil Know-How .. TW 821
Exports to Germany .. TW 654
Exports to Zambia .. TW 654
Hand Tools, Export of .. TW 655
Indian Foods Abroad .. TW 998
Iron Ore Exporters' Association .. TW 819
Iron Ore Exports .. TW 958
Liberal Exchange for Exporters .. TW 957
Long Staple Cotton, Export Of .. TW 874
Paper Exports? .. CC 979
Processed Foods for USSR FE 861
Realistic Export Strategy .. PV 640
Steel Exports .. TW 109
Sugar, Export Of .. TW 998
Woollens for Soviet Union .. TW 1131
Workshop on Engineering Exports .. TW 1127

F

Feature

Indo-Soviet Economic Cooperation .. FE 860-871 (Nov. 7)

Fertilizers

Demand for Fertilizers: 1975-76 to 1978-79 .. RS 1141
Fertilizer Prices .. CC 1023
Fertilizer Prices .. TW 1097
Fertilizers for Foodgrains .. LA 1111
Norwegian Aid for Fertiliser Import .. TW 1045

Food and Agriculture

A Blue-Print for Green Belt .. LA 629
Agriculture: Significant Strides .. AN 1221
Central Assistance for Irrigation .. TW 1130
Economics of Egg Production: A Case Study PV 1031
FCI's New Strategy .. TW 821

Food Imports, the Economics of .. PW 982
Food in the South .. LA 840
Groth in Irrigation Potential .. RS 1061
High -Yielding Wheat For Rabi .. TW 706
International Grain Reserves: US Proposal .. WW 784
Irrigation Potential, Growth In .. RS 1061
Kangra Forges Ahead .. PV 633
Kharif Procurement .. CC 1023
Kharif Procurement .. LA 670
Micro-nutrients for Agriculture .. TW 959
New Agricultural Technology and Employment .. PV 937
Price Policy for Kharif Cereals .. RS 713
Recommended Wheat Varieties for Rabi .. TW 874
Rice Mills Modernisaticn .. TW 875
Thirty Years of Czech Agriculture WW 857
US-Soviet Deal .. TW 959
Utilisation of Ground Water .. TW 706
White Revolution, The .. LA 674

Fuel Efficiency Training Course .. TW 999

G

Gold and Its Future .. LA 628

H

Harter, John J. .. WW 815
Hennessy, Jossleyn .. WW 645, 689, 739, 781, 810, 851, 901, 940, 987, 1034, 1079, 1122

I

Imports

Imports Substitution: Problems and Perspective PV 107
No Newsprint Import .. TW 959
Sheep From West Germany .. TW 1131

Industry

A Decade of Consumers' Cooperatives: 1962-72 .. PV 843
Artificial Limb Manufacturing Unit .. TW 654
Assisting Industry in Tamil Nadu .. LA 841
Better Use of Capacity .. LA 934
Capacity for Alcoholic Drinks Banned .. TW 999
Cement Prices Raised .. TW 704
Cloth and Common Sense LA 838
Cold Rolled Strips .. TW 999
Consumer Industries, Study of .. TW 744
Cooperatives and Industry .. CC 979
Cotton Textiles: As Government Looks At It .. PV 899
Cotton Textiles As Industry Sees It .. PV 895
Economics of Egg Production: A Case Study .. PV 1031
Electronics Commission .. TW 1127
Electronics, Perspective Planning In .. LA 1113
Excess Capacity, Simplified Procedure For .. TW 912
Garments by Deaf Women TW 914
Guidelines for Packaged Goods .. TW 743
Higher Productivity .. TW 998

Incentives for Industries .. RS 964
Industrial Estate in Kabul TW 873
Industrial Licensing Policy TW 818
Industrial Security .. TW 1130
Industry: Challenges and Opportunities .. AN 1167
Maintenance Management CC 677
Misuse of Licences .. TW 956
More of R & D .. LA 976
Newsprint Control Relaxed .. TW 705
Not by Regulation .. LA 1067
Nursing Industries in West Bengal .. LA 977
Output in Public Sector .. TW 997
Processing Urban Wastes TW 874
Public Sector Output .. TW 1047
Rice Mills Modernisation of TW 875
Scrap Procesing Yard .. TW 654
Stocks Build-up .. CC 979
Synthetic Drugs Plant at Hyderabad: A Profile .. RS 880
Transmission Tower Industry .. TW 1098
Worshop on Defence Supplies .. TW 914
Word Industrial Giants Meet .. TW 958

Insurance

Life Insurance Corporation .. TW 996

International Affairs

Aftermath of the British Referendum, The .. WW 645
Agenda for Paris: Trade and Oil .. WW 854
Changing Oil Currents .. WW 991
Children's Right to Health Protection .. WW 1084
Coal and the Global Energy Policy .. WW 650
Cooperation, not Confrontation .. LA 627
East Germany, The Economic Situation in .. WW 987
Economic Cooperation Conference .. WW 815
Esperanto in Politics .. LA 891
Europe's Problems for 1976 WW 1124
Exploiting the Mentally Ill for Political Ends .. WW 851
Foreign Trade Prices in CMEA .. WW 689
Hand in Hand .. LA 670
Have you a Secret Bank Account in Switzerland? .. WW 1122
How Canada Controls Foreign Investment .. WW 1034
Indo-US Accord .. LA 771
International Grain Reserves: US Proposal .. WW 784
Is Britain Governable? .. WW 901
Oil Again Coming to Boil .. WW 692
Old Age Must Come: Even in the USSR .. WW 940
Paris Economic Meet .. TW 744
Perspective on World Oil .. WW 739
Pros and Cons of Negative Income Tax .. WW 781
R & D Investment in Japan WW 942
Rambouillet: A Shot in the Arm .. WW 1037
Savings Institutions in Europe, Japan and the US .. WW 1079
Signals from a Changing World .. LA 904
Sogo Shosha's Role in Distribution Revolution .. WW 813
Stray Thoughts of an International Banker .. PV 1027

Tale of Bankrupt Cities .. WW 783
The Netherlands Bank World Forecast for 1976 .. WW 810
The Rich and the Poor .. WW 648
30 years of Czech Agriculture .. WW 857
US and German Payments: A Comparison .. WW 741
US International Economic Ends and Means WW 907
US-Soviet Deal .. TW 959

Iron and Steel

Alloy Steel Surplus ... TW 653
Bhilai and Bokaro: Significant Landmarks ... FE 863
Excise Relief for Mini Steel Plants ... TW 1126
International Body for Standardisation ... TW 914
Outlook for Steel ... LA 1019
Steel Plans ... CC 1023

J

Jute

Jute in Crisis .. LA 673
Jute, Joint Approach to ... LA 839
Jute International ... TW 821
Jute International ... CC 729

Josef Turek ... WW 857
Joshi, P.K. ... PV 937

K

Kamaraj ... LA 669

Karlheinz Bund, Dr ... WW 650
Koptevsky, V.N. ... FE 861
Korneev, V.L. ... FE 866
Krishnan, N. ... PV 983
Kumar S. ... PV 679
Kumat, V.S. ... PV 1031

L

Labour and Employment

AIMO on Bonus Amendment ... TW 787
Equal Pay for Men and Women ... TW 652
Higher Productivity ... TW 998
Law Against Lay-Offs ... TW 652
Ordinance on Bonded Labour ... TW 818
Ordinance on Bonus ... TW 652
Ordinance on Bonus Law ... RS 664
Wages Payment Act ... TW 957

Leading Articles

A Blue-Print for Green Belt .. LA 629
Approach to West Asia .. LA 1112
Assisting Industry in Tamil Nadu .. LA 841
At It Again .. LA 726
Balancing the Account .. LA 803
Banks and Exports .. LA 805
Better Use of Capacity .. LA 934
BHPV: Significant Strides LA 1022
Changing Face of Rajasthan .. LA 775
Chasing Bank Money .. LA 1114
Cloth and Common Sense .. LA 838
Cooperation, Not Confrontation .. LA 627
'Dawa' for Delhi .. LA 892
Delivering the Goods .. LA 725
Despite the Dust and Din .. LA 889
Doctor's Dilemma .. LA 933
Engineering Exports .. LA 774
Entrepreneurship and Growth .. LA 1070
Esperanto in Politics .. LA 891
Faith Does It .. LA 1020
Fertilizers for Foodgrains .. LA 1111
Food in the South .. LA 840
For the Busy Season .. LA 772
Gold and its Future .. LA 628
Hand in Hand .. LA 670
IDBI: Expanding Operations .. LA 773
IFCI: New Dimensions .. LA 672
Indo-US Accord .. LA 771

Jute in Crisis .. LA 673
Jute, Joint Approach to .. LA 839
Kamaraj .. LA 669
Kharif Procurement .. LA 670
Lest We Forget .. LA 802

ning Business? .. LA 931
ilising Money .. LA 1069
ey Not for Jam .. LA 890
e of R. & D .. LA 976
by Regulation .. LA 1067
for Friend's Sake .. LA 770
sing Industries in W. engal .. LA 977
ober Two .. LA 625
look for Steel .. LA 1019
spective Planning in lectronics .. LA 1113
falls in Credit Policy .. LA 975
gional Approach to Power .. LA 1072
pee-Pound Link, Farewell to .. LA 626
eetenners for Sugar .. LA 1017
aiting for the Tide .. LA 802
hat Did He Say? What Did He Mean? .. LA 973
hite Revolution, The .. LA 674
ooing Small Savers .. LA 935
orld's Cheapst Beverage, The .. LA 727

akshmanan, U.N. .. PV 640
al, B.B. .. PV 734
al, Pritam .. BB 702
ord Aldington .. PV 1027

M

Minerals and Metals

Aluminium Distribution .. TW 786
Aluminium, Excise Concession On .. TW 874
Bauxite for BALCO .. CC 1117
Coal Mining Safety .. CC 979
Copper Output .. TW 958
Iranian Loan for Kudremukh .. TW 914
Iron Ore Exporters' Association .. TW 819
Mineral Exploration Corporation .. TW 998
Non-Ferrous Metals .. CC 797
Maintenance Management CC 677
Moving Finger .. MF 725,769, 801,837,911, 945,994,1040, 1085

Mahalingam, N. .. PV 982
Mazumdar, H. .. PV 808

N

Names in the News

Names in the News .. TW 655, 706, 747,788,959, 1047, 1131

Narasimham, M. .. PV 636
Nefedov, N.I. .. FE 863

O

Oil

Agenda for Paris: Trade and Oil .. WW 854
At it Again .. LA 726
Balancing the Account .. LA 803
Changing Oil Currents .. WW 991
Indian Assistance for Oil in Tanzania .. TW 912
Mathura Refinery .. TW 653
Oil Again Coming to Boil .. WW 692
Oil Consumption, Curtailing of .. CC 729
Oil Exploration in Cauvery Basin .. TW 820
Oil From Bombay High .. TW 743,914
Oil in Arunachal .. TW 818
Oil Know-how, Export Of TW 821
Oil Prospects .. CC 677
Oil Strike in Bengal Basin .. CC 729
OPEC and the World Economy .. TW 1096
OPEC Cartel in 1980 .. PV 808
OPEC's Decision .. CC 631
Petroleum Product Prices Raised .. TW 1042
Recycling of Lubricating Oils .. TW 1098
Takeover of Burmah Shell .. CC 1023
World Oil, Perspective on WW 739
October Two .. LA 625

P

Plantations

World's Cheapest Beverage, The .. LA 727

Power

Coal and the Global Energy Policy .. WW 650
Energy from Thermal Plants .. TW 745
Idikki Generator .. TW 914
Impact of Electricity on Rural Industries .. PV 681
Power and Coal Availability .. CC 729
Regional Approach to Power .. LA 1072

Prices

Consumer Price Index Numbers for Industrial Workers .. RS 832, 1012, 1148

ConsumerPrice Index Numbers for Urban Non-Manual Employees .. RS 832, 1012, 1148

Security Prices, Index Numbers Of .. RS 830, 1010, 1146

Wholesale Prices .. RS 829, 1009 1145

Prospectus

Sundaram—Abex Ltd. .. 694-695

R

Rao, N. Desinga .. PV 681
Ray, S.K. .. PV 732

S

Sugar

Sugar, Industry, Thoughts On The .. PV 777
Sugar Policy .. TW 705
Sugar Production .. TW 745
Sweeteners for Sugar .. LA 1017
Santhanam, K. .. PV 807
Sarma, B. Ganapathy .. BB 702
Sarma, B. Ganapathy .. AN 1249
Saxena, Dr P.S. .. PV 734
Simon, William E. .. WW 907
Singh, Hardev .. AN 1221
Singh, Mahendra Pratap .. PV 1073
Singh, R.D. .. PV 937

T

Taxation

Agreement on Double Taxation .. TW 786
Excise Concession on Aluminium .. TW 874
Indo-US Tax Talks .. TW 874
Pros and Cons of Negative Income-Tax .. WW 781
Tax on Foreign Collaborations .. TW 872

Trade

Advisory Council on Trade TW 872
Agenda for Paris: Trade and Oil .. WW 854
Approach to West Asia .. LA 1112
Balancing the Account .. LA 803
Bank Credit for Trade .. TW 821
Deepening Trade Crisis, The .. AN 1191
Export Incentives .. CC 729
Foreign Trade Prices in CMEA .. WW 689
Generalised System of Preferences .. TW 1042
India—EEC Joint Commission .. TW 959
India's Foreign Trade .. TW 873
Indo-Soviet Trade .. TW 875, 1046
Indo-Soviet Trade Talks .. TW 787
Indo-Sudan Trade .. TW 787
Indo-Yugoslav Trade .. TW 654
International Trade, Payments and Development Finance .. RS 919
Realistic Export Strategy PV 640
Towards UNCTAD IV, But with Blinkers Off .. PV 1025
Trade Agreement with Romania .. TW 1131
Trade with USA .. TW 1047
US and German Payments —A Comparison .. WW 741
World Trade in 1974 .. TW 873

At the Frankfurt Automobile Fair .. PV 983
National Permits to Transporters .. TW 652
Railway Consignments .. TW 704

UK Assistance for Shipbuilding .. TW 914
Waiting for the Tide .. LA 802
Taimni, K. K. .. PV 843

U

Ummat, R.C. .. PV 633
Ummat, R.C. .. CC 631, 677, 729, 979, 1023, 1117
Ummat, R.C. .. AN 1191

Company Affairs

'A'

ACC .. 824,915,1048
Agriculture Refinance and Development Corpn. .. 1001
Alirox Abrasives .. 878
Alkali and Chemical Corp. 1048
Aluminium Industries .. 878
Anand Synthetics .. 658
Andhra Pradesh Industrial Development Corpn. .. 1051
Apollo Tyres .. 749, 825

Aries Agro-Vet Industries Pvt Ltd. .. 963
Ashok Leyland .. 960
Atul Products .. 877

'B'

Ballarpur Industries .. 960
Bally Jute .. 789
Bank of India .. 709
Best and Crompton Engineering .. 658
Bharat Bijlee .. 876
Bharat Steel Tubes .. 707
BHEL .. 1052
Blundell Eomite Paints .. 917
Bokiyu Tanneries .. 1051
Brindavan Alloys .. 1052

'C'

CAFI .. 960
Calcutta Electric Supply Corpn .. 1000
Calico Mills .. 1051
Canara Bank .. 1000
Capital and Bonus Issues .. 659, 750, 792, 827, 879, 917, 963, 1003, 1103
Carbon Corporation .. 826
Central Bank of India .. 749
Century Enka .. 791
Chowgule Steamships .. 656, 917
Costal Papers .. 1052
Coca-Cola Export Corporation .. 878
Colour-Chem .. 710, 792

'D'

Deccan Sugar .. 1132
Deccan Wires .. 1134
Delhi Cloth) 823
Denison Hydraulic: India .. 1002
Deposit Insurance Corporation .. 963
Derco Cooling Coils Ltd .. 1134
Dividends .. 659, 710, 751, 792, 827, 879, 918, 963, 1003, 1052, 1103, 1134
Drillco Metal Carbides .. 1052

'E'

East Anglia Plastic .. 1133
Electrical Manufacturing Company .. 916
Electronics Corporation of India .. 917
Escorts .. 1132

'F'

Fertilizer Corporation of India .. 1001
Formica India .. 823
Frick India .. 656

'G'

Garware Nylons .. 656
German Electric Company .. 963
Glaxo .. 824, 1101
Greaves Cotton .. 962

'H'

Hada Steel .. 1133
Hindustan Machine Tools 1001
Hindustan Organic Chemicals 791, 878
Hoechst Dyes and Chemicals .. 1134

'I'

IAEC .. 1052
ICICI .. 657
IDBI .. 749, 792, 962
India Steamship .. 709
Indian Aluminum .. 789, 915
Indian Cable .. 878
Indian Drugs and Pharmaceuticals .. 1134
Indian Explosives .. 1048
Indian Fine Blank .. 1001
Indian Oil Corporation .. 749
Indian Oxygen .. 1102
Indian Rayon .. 1100
Indian Rubber Regenerating .. 916
ITC .. 1133

'J'

Jay Electric Wire Corporation .. 1003
Jay Engineering Works .. 791
Jiyant Vitamins .. 1103
J.K. Chemicals .. 879
J.K. Tyre .. 1001
Jyoti Ltd, Baroda .. 748

'K'

Kirloskar Oil Engines .. 823, 961
Kirloskar Pneumatic .. 1051
Kothari (Madras) .. 748
KSIDC .. 791

'L'

Larsen & Toubro .. 917
Licences and Letters of Intent .. 751, 1053, 1135

'M'

Madhya Pradesh Industries .. 658, 1001
Mahavir Spinning Mills .. 1002
Mahindra Ugine Steel .. 748
Metal Box .. 707
Modella Woollens .. 1102
Mohta Electro Steel .. 792
Motor Industries .. 792
Mukand Iron .. 823, 876, 963
Mysore Cements .. 707

'N'

New Registrations .. 1

'O'

Orissa Industries ..
Oudh Sugar Mills .. 1

'P'

Panchkula Malt .. 8
PDR Videotronics India .. 8
Poysha .. 6
Prachi Resorts .. 8
Premier Tyres . 7
Punjab Con-Cast Steels .. 9
Purulia Steels .. 6

'R'

Rallis India .. 10
Rollatainers .. 9

'S'

Scindia Steam .. 789, 10
Seshasayee Paper .. 656, 11
Shipping Corporation .. 8
Shree Synthetics .. 11
Shere Vallabh Glass .. 11
Siemens .. 9
SLM-Maneklal Industries .. 9
Somany-Pilkington .. 7
Southern Medico Industrial Chemicals .. 7
Southern Steel .. 10
Sundaram-Abex .. 7
Syndicate Bank .. 789, 9

'T'

Tata Chemicals .. 878, 9
Tata Exports .. 825, 9
Telco .. 792, 8
Tisco .. 79

'U'

Uni Abex Alloy Products .. 71
Unit Trust .. 825, 105
Universal Conveyor Beltings .. 792, 110
Usha Rectifier .. 82
Uttar Pradesh Straw and Agro. Products Ltd. .. 87

'V'

Vardhman Spinning and General Mills .. 91
Vazir Sultan .. 110
Vishal Malleables .. 105

'W'

West Coast Paper .. 100
Wastern Electroniks .. 113
WG Forge .. 96
Willard India 65

'Z'

Zuari Agro 87

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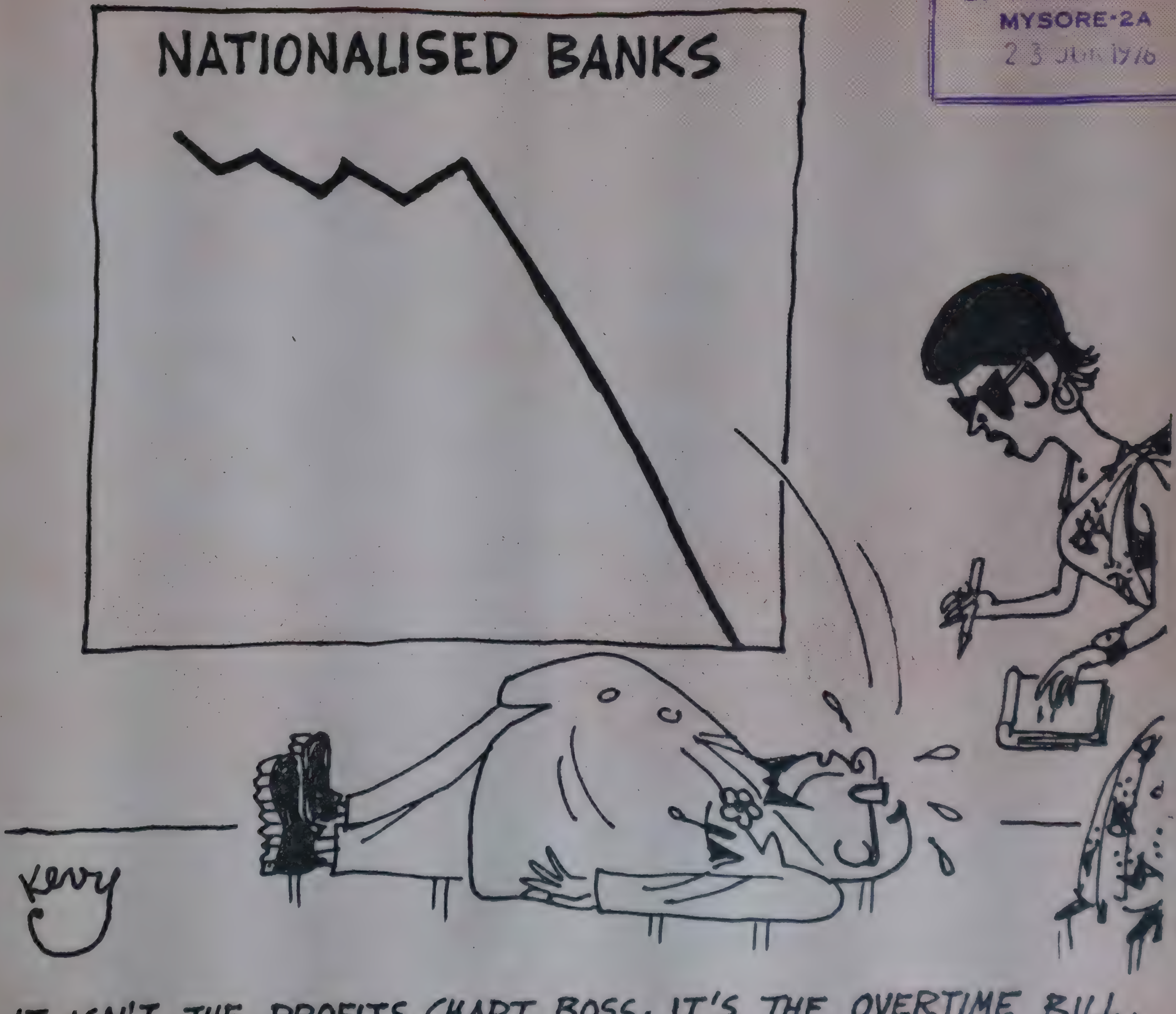
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ECONOMIST

VOL. 66 NO. 25 JUNE 18, 1976
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Leading Articles

Ties with Moscow 1319
New Approach to Export Publicity 1320
Meaningful Credit Planning 1321
Milk for Millions 1323
Capital's Corridors 1325

Point of View

Recession : A Measure of Imbalance?
—Dr Amar Nath Dutta 1329
Resource Use and Farm Productivity
—J.P. Misra, Vipin Behari & S.N. Pandey 1332

Window on the World

Habitat's Global Challenge
—Barbara Ward 1336
Good Job Done at Nairobi
—E.B. Brook 1341
Putting Up with Pakistan—Kevy 1343

Balance Sheet

Central Bank of India 1346-1351

Trade Winds

Credit for Rural Sector; Jute Output Regulation; Iron Ore for Japan; Indo-British Joint Commission; International Summit in Puerto Rico; BHEL Generators for New Zealand; Production and Demand of Copper; Aluminium Output; Power Generation; World Foodgrain Stock; Bombay High Operations; Small Savings; Recycling of Petro-Dollars; Rubber Transportation by Sea; Foodgrains Stocks; Exchange of Defective Notes; Public Relations Meet; Cotton Textile Export 1352-1356

Company Affairs

Gold Mohur Mills; Goodyear; ICICI; New Registrations; Sandvik Asia; Bombay Paints; Hindustan Antibiotics; News and Notes; New Issues; Asian Paints; Capital & Bonus Issues; Dividend 1357-1360

Records and Statistics

India's Cattle Wealth 1361

Ties with Moscow

THAT THE prime minister's six-day visit to the Soviet Union further strengthene the bonds of friendship between India and the USSR was amply clear from th joint declaration issued on June 13, 1976. Understandably, the declaratio recalled the "Treaty of Peace, Friendship and Cooperation" which was signed i New Delhi on August 9, 1971 and which had rendered great psychologica assistance to this country in resolving the Bangladesh tangle five years ago. Wha was more, the USSR government "expressed its full understanding of the effort of the government and people of India aimed at solving the complicated socio economic tasks facing the country". It was in fact this attitude of positive interpretation by the USSR of events in this country and similarly, of happenings in th USSR by our country, which had brought the two countries nearer to each other

Reviewing the international political scene, the declaration expressed its concern at the prolonged "unsettled situation" in west Asia and pleaded fo meeting the legitimate demands of the people of Palestine. It also listed identity of views between the two countries on the problems of Cyprus and Korea and welcomed the independence of Angola, Mozambique, Guinea-Bissau, San Tome and Principe. At the United Nations, the two countries had always operated in a cooperative manner chiefly due to the sameness in outlook on numerous issues. In particular, the hardships faced by the developing countries in international trade due to discrimination and exploitation by the developed countries have always brought forth identical approaches in international forums. That is why the declaration emphasized "the urgent need to eliminate discrimination and other obstacles in international trade and to put an end to inequality and exploitation in international economic relations."

The most important section of the declaration expressed the readiness of the USSR government to render appropriate assistance to our country in achieving the objective of "strengthening the country's economic independence." With this goal in view, economic and technical cooperation between the two countries has already been developed and diversified in such key areas as ferrous and non-ferrous metallurgy, engineering, power generation, extraction and refining of oil and natural gas, coal and mining industry, agriculture and other allied fields. From now on, the two countries will seek to expand production in the above-mentioned branches with two important additions, namely, electronics and textile industry. In addition, the existing collaboration in the fields of scientific and technical cooperation will be further augmented. The launching of Aryabhata from a Soviet launcher will now be followed by another Indian satellite. And the search for new areas of cooperation in industry and elsewhere will continue.

A high-power delegation led by Mr M.G. Kaul, secretary in the ministry o Economic Affairs, had left for Moscow a few days before the tour of our prim minister commenced. This delegation was expected to sort out the rupee-roubl tangle (how many rupees equal a rouble?) which had remained unresolved fo more than a year. It was believed that a workable arrangement would b thrashed out even before the prime minister set foot on the Soviet soil. Whil it was not expected that a mention would be made of any agreement on th question in the joint declaration, yet the absence of news on this subjec indicated that the Kaul mission had not been a success, notwithstanding th warm reception given to our prime minister. Whether the rouble was equal eight rupees or 12 rupees, was the moot question. The exchange rate w relevant in regard to past debts incurred by our country which had now to repaid or to the non-commercial transactions. The trade deals were all rupees and hence there was no point of dispute.

New approach to export publicity

THE ANNUAL report of the union Commerce ministry for 1975-76 has explained the various measures undertaken by the Directorate of Exhibitions and Commercial Publicity to make foreign countries aware of India's export potential and performance. "The concept of overseas publicity," says the report, "has thoroughly changed with the deployment of modern techniques and result-oriented approach" and that "this has proved useful in terms of business secured". It refers to the careful selection of products and participants in international fairs and exhibitions, employment of modern architectural and display expertise, and accurate planning and proper selection of thematic content of pavilions in order to make Indian participation more attractive and appealing.

In 1975-76, India participated in 13 international fairs and organised five exclusive Indian exhibitions abroad. The fairs were held in Italy, France, Zambia, New Zealand, Yugoslavia, Iran, Iraq and West Germany and the exhibitions were arranged in Bangkok, Seoul, Dubai, Montreal and Toronto.

business secured

The report does not indicate to what extent India's participation in these fairs and exhibitions helped to secure export orders especially for non-traditional goods. The report however says that participation in 20 specialised commodity fairs yielded business to the extent of Rs 4.53 crores and that business to the extent of Rs 5.76 crores was under negotiation. But no information is given as to where these specialised fairs were held and what were the commodities that were sold.

The report points out that India's participation in fairs and exhibitions has yielded "good results". It says: "The objective to participate in these fairs and exhibitions is no longer confined to project the image of quality products only but also to promote business on the spot and pave way for future commercial links. With this in view, systematic efforts have been made in selecting exhibits and exhibitors. Display techniques have been consistently improved upon, architects and interior decorators of standing have been engaged and new product lines for export have been successfully introduced." The Commerce ministry however should make continuous efforts to further improve the techniques of participation in close cooperation with business organisations.

West Asian market

The report should have explained what steps are being taken by the Commerce ministry to intensify our publicity in the markets of West Asia where vast export opportunities have arisen. Our exports to the countries of West Asia rose from Rs 178 crores in 1973-74 to Rs 416 crores in 1974-75, an increase of 134 per cent. But our country has been slow in availing itself of the boom in West Asia for selling its goods. Our share in the import trade of these countries continues to be negligible, being only between two and four per cent. Prof. Chattopadhyaya, the union Commerce minister, has suggested that India should try to secure at least a share of 15 per cent in the import trade of the countries of West Asia in the next few years. It is true that there are variou impediments to export promotio especially the severe congestion i many West Asian ports. But as thes problems are being tackled, we shoul intensify our publicity in this region We have to adjust our strategy to sui the requirements of these markets.

Arabic literature

As Mr T.C. Broca, chairman of th Tea Board, said at a seminar, "th publicity literature which we are sending to the countries in West Asia i invariably written and printed in ver elegant Queen's English. Now thi language, of course, is universally popular, many people understand it, but in this region they prefer to see literature printed in Arabic. Now this is where the Japanese always score over everybody else. The very first thing a Japanese does is to produce the literature relating to his product in the local language. Whether he's on TV or whether he's on cinema or whether he's in his usual folder, he is always one step ahead of the others".

What is being done to promote our publicity in the countries of east Europe? The Commerce ministry's report does not give an encouraging picture about our export trends to this region. It says, "The performance of exports to east European countries did not show any significant increase—the increase was only marginal(1.5 per cent). Exports to the USSR, the largest single buyer, had risen only by about four per cent to Rs 225 crores in April-September, 1975 as compared to Rs 126 crores in April-September, 1974, while in the whole year of 1974-75, exports had increased by 46 per cent when compared to 1973-74. However, in the case of Rumania, exports had increased from Rs 9 crores to Rs 15 crores recording a jump of 79 per cent during April-September 1975". Though state organisations have been dominating the foreign trade of these countries, they do provide opportunity in various forms to publicise our products. Some of the studies recently issued by the dian Institute of Foreign Trade have early brought out the vast scope for creasing our exports to the countries f east Europe and the need for effec- vely exploring these markets. One f the studies referred to a statement nade by the director-general of a Czech foreign trade corporation who egretted that the Czechs had to go to India to buy and suggested that he would like to see Indian businessmen coming to their country more often to sell.

export promotion

In addition to the commercial publicity undertaken under official auspices, New Delhi should give more encouragement to businessmen to go abroad on export promotion work. For this purpose, the government should further liberalise the release of foreign exchange and simplify the procedures. It has been suggested that the minimum daily allowance for businessmen going abroad should be raised from the present $72 per day to at least $100 and also to provide additional allowance for entertainment, for surface travel and for other essential purposes which ultimately will help India to secure more business. The abolition of the P form has also been suggested in the context of the improved balance of payments position. If New Delhi cannot agree to the latter proposal, it should examine the scope for adopting a more liberal approach for the release of foreign exchange not only for export promotion tours but also those which are undertaken for arranging industrial collaborations.

About internal commercial publicity, the annual report of the Commerce ministry gives little information. Yet, this is also of great importance from the point of view of export promotion. Our exporters should be correctly and promptly informed about the opportunities available in various parts of the world and the changes that are made from time to time in the import policies abroad as well as in the implementation of the generalised scheme of preferences. The provisions of the trade agreements that India enters into with other countries are seldom made known to the public. Even if some parts of these agreements may have to be kept confidential, there is no reason why their other aspects should not be widely publicised. The Commerce ministry's report reveals that trade protocols were concluded in 1976 with Bulgaria, Czechoslovakia, Hungary and Poland and that a similar protocol was going to be concluded shortly with the Democratic Republic of Korea. The report also refers to the trade agreements already signed with Brazil, Chile, Peru and Colombia and it is stated there is a proposal to conclude an agreement with Argentina and Mexico. But Udyog Bhavan should not be unduly secretive about the provisions of these agreements.

The Commerce ministry's report says that the economic outlook for 1976-77 appears to be promising, that it should be possible to generate more export surpluses and that we should strive for significant increases in our exports. The Commerce ministry therefore should resort to intensive and imaginative publicity to create greater export consciousness within India and to make foreign countries aware of our capacity to deliver the goods.

Meaningful credit planning

THE MONETARY authorities have been latterly planning expansion of credit on an annual basis for the period ending April instead of the earlier procedure of directing the scheduled commercial banks to effect contraction of credit on a defined basis during the slack season and build up resources. These surplus funds, if they were successfully accumulated, were to be utilised for expanding credit in the subsequent busy season. In view of the new developments arising out of massive procurement operation and in order to provide flexibility for credit planning, member banks have now been told that they should observe strictly the statutory liquidity and cash reserve ratios and borrow from the Reserve Bank only when there was compulsion.

In the light of growth in deposits and the success attending the implementation of the recommendations of the Tandon Committee refinance facility also has been suitably stiffened. In this process the lending institutions have been obliged to exercise the greatest care when utilising their resources. As there has been a keen demand for funds since the beginning of last year due to heavy imports, accumulation of stocks with many industries and a phenomenal growth in food credit, banks have been maintaining cash balances at minimum levels and adding to their holdings of government securities, treasury bills and approved securities only to the extent dictated by the statutory liquidity ratio.

The experience of banks in the 12 months ended April 30, 1976 clearly suggests that the unprecedented expansion of food credit has had a queering effect and statutory liquidity obligations could be observed only with the use of refinance facilities provided by the Reserve Bank. Thus, against the increase in deposits of the scheduled commercial banks by Rs 2379 crores between May 2, 1975 and April 30, 1976, aggregate advances rose by Rs 2,335 crores or very nearly equal to the additions to deposits. This phenomenal growth in advances was due mainly to the big rise in food credit by Rs 1,035 crores. Non-food credit therefore accounted for Rs 1,300 crores. Investments in government securities and treasury bills alone were higher by Rs 624 crores in the same period, and the statutory liquidity ratio could be maintained at the stipulated level along with the cash reserve ratio only with an increase in borrowings from the Reserve Bank by Rs 508 crores.

growth in advances

The credit planning for 1976-77—May 1, 1976 to April 30, 1977—has been attempted recently by the Reserve Bank on the basis of the experience of 1975-76. It has been estimated that the growth in deposits in 1976-77 will be Rs 2,600 crores and non-food credit will have as its share Rs 1,400 crores. Procurement credit is expected to increase by Rs 300-350 crores and credit for fertiliser stocks by Rs 200-250 crores. The outside limit for growth in advances is, therefore, expected to be Rs 2,100 crores. With the statutory liquidity ratio of 33 per cent necessitating investments out of new deposits of Rs 858 crores and cash reserve ratio of four per cent requiring the maintenance of additional balances of Rs 104 crores with the Reserve Bank, member banks will be left with only Rs 1,638 crores against the growth in advances of Rs 2,335 crores.

The gap will be Rs 697 crores and there will have to be an increase in borrowing from the Reserve Bank to this extent if the cash reserve and statutory liquidity ratios are to remain unchanged. This will mean that there will have to be a big increase in the level of borrowing of member banks from the Reserve Bank and a difficult situation will arise in the next busy season if any attempt is made to stiffen further refinance facilities against procurement credit and alter also the basic quotas for borrowing against usance bills and under the bill market scheme.

The actual developments, however, may come about differently and the pressures may not build up to the extent anticipated, not because of a reduced increase in demand for funds but because of a likelihood of faster growth in deposits and a change in the content of expansion of credit. In view of the higher level of national income, injection of massive purchasing power with intensification of procurement operations and increasing monetisation of the economy, it is likely that the additions to deposits in 1976-77 may even be Rs 2,750 crores. There is no reason why there should be a net big increase in credit against fertiliser stocks, by Rs 250 crores.

These stocks are already at a high level and it was only recently observed by Mr A. P. Shinde, union minister of state for Agriculture that sales from pool stocks of 1.5 million tonnes have been suspended in order to facilitate an increase in offtake from stocks of indigenous producers. The latter have been complaining that they are unable to market current production fully and in some instances it is even necessary to slow down production or advance maintenance shutdowns. The stocks with the major producerers are estimated to be around two-months' output and it will not be wrong to say that at the annual rate of two million tonnes of nitrogen, stocks are roughly now at 350,000 tonnes.

excess stocks

Usually only about a fortnight's stock is held which will mean that excess stocks are 260,000 tonnes. It is needless to say that pool stocks are at a high level and the excess stocks can be easily 300,000 tonnes of nitrogen. With the prospect of indigenous production of nitrogenous fertilisers rising to 2.2 million tonnes in 1976-77 and excess stock of 550,000 tonnes of nitrogen, it may not be necessary to arrange for imports of more than 500,000 tonnes of nitrogen, besides securing the required quantities of raw materials. As imports will be only replacing a reduction in stocks in the pool and with indigenous producers, there is no need for a net expansion of credit by Rs 250 crores against fertiliser stocks. Apart from saving foreign exchange expenditure the government will be enabling the indigenous producers to maximise output with the existing capacity.

food procurement

In respect of food procurement however there will be need for expanding credit in a bigger way even if the output in the 1976-77 agricultural season is around 112 million tonnes. With the timely onset of the south-west monsoon, the yield of kharif crop may again be satisfactory though a definite view in this regard can be taken only in October. It is nevertheless important to bear in mind that easy availability of fertilisers, high-yielding seeds and power should enable farmers to repeat the performance of the last kharif season. As food scarcity has disappeared even in the deficit areas and even with heavy procurement purchases, large stocks are held by farmers, the general tendency will be to dispose of a larger proportion of current production in the open market and tender quantities also to official agencies in order to secure cash.

The question rises as to what will be the level of procurement before April next year and what will be quantum of imports and net additions to buffer stocks. In spite of the fact that the wheat procurement target has already been surpassed, fresh purchases are likely to be for two million tonnes. Rice procurement may again be six million tonnes and imports at least two million tonnes. There may also be purchases of two million tonnes of wheat and one million tonnes of coarse grains in the closing months if there is a repetition of performance of recent months. The offtake from fair price shops during 11 months ending April 1977 may not be more than eight million tonnes suggesting that the increase in buffer stocks will be five lion tonnes from the level of 15 lion tonnes at the end of May.

The expansion of credit will, there- e, have to be over Rs 600 crores if ported wheat and large rice stocks e to be maintained in the buffer. here may not of course be a big crease in non-food credit as any net se in credit in this sector in some irection may be offset by a drop in ther directions in the same sector. This will be due to a decline in the tocks of sugar, steel and textiles. If higher prices for imported items and a higher level of industrial production have a complicating effect, the released funds from some inventories will have a sobering effect. What is therefore necessary is a careful policy in regard to fresh imports of foodgrains and fertilisers and the continuence of the present facilities for securing refinance against food credit. The Reserve Bank may even think of reducing the cash reserve ratio by one per cent as there is no meaning in having a high level of borrowing of member banks when their resources are impounded. In view of the continuing pressure on the banking system and the need to make best use of indigenous resources, the credit policy will have to be flexibly administered. The government also can afford to be more cautious in importing foodgrains and fertilisers in view of the present happy situation. Credit planning would then be fully worthwhile and meaningful.

Milk for millions

THE FINAL report of the National Commission on Agriculture gives exhaustive treatment to the subject of animal husbandry, particularly to dairy development and improvement of draught animals. Apart from providing nourishment to the population, cattle are the mainstay of our agricultural operations as major source of draught power and organic manure. They are also a major means of transportation between our villages and towns. The by-products of animal population such as hides and skins, bones and guts add to the income mainly of the lowest strata and vulnerable sections of rural society and earn sizeable foreign exchange for the nation.

It is, however, ironical that in spite of this country having the largest cattle and buffalo population in the world, food of an average Indian consists of very little protein derived from milk or its products. Against the requirements of 201 grams prescribed by the Indian Council of Medical Research, the availability per head is 110 grams. Even though our milk production has been steadily on the increase, per capita availability has dwindled because of the relatively bigger increase in population. The milk yield in our country is very low; it is on an average 157 kg per cow and 504 kg per buffalo per year, as against 3000-4000 kg per cow in many western countries such as Britain and Denmark. Similarly draught power of our animals has large scope for improvement. The deteriorating quality of our stock and the lack of adequate and nutritious feed are the two main reasons for the poor performance of our cattle. It is estimated that the country produces hardly two-thirds of fodder requirements of our animals. As for concentrates, it is not even one-quarter of the requirements. Over and above this, there is very little cattle health care available in the countryside.

Considering the numerical strength of our cattle and the possibilities of improvement in the quality of their stock that modern scientific methods provide, there is unlimited potential for the development of our cattle wealth which can substantially contribute to the economic advance of the country, particularly its rural population. The National Commission on Agriculture has come out with recommendations, in the perspective of the coming quarter century, up to 2000 AD. Apart from some inane ones, which every farmer should know and has been following over centuries, there are substantive recommendations which can make the country realise the full potential of its animal wealth over the years.

steady increase

Since Independence there has been a slow but steady increase in our cattle population. However no worthwhile improvement took place in the quality of our stock. This has resulted in a large drain on our feeding resources without a commensurate gain in milk yield or draught power. As the size of land holdings is getting smaller and smaller by the passage of time, the need for bullocks grows because every household howsoever small its holding, wants to have its own bullocks for ploughing its land and driving its cart and bullock power continues to be under-utilised.

If optimum use could be made of our bullocks a lesser number would be needed and consequently the cows required for producing them would also be smaller in number. To that extent more feed and fodder would be available for each animal. The National Commission has therefore given serious thought to the elimination over a period of 25 years of the unwanted and non-descript cattle so that quality stock is given due care and attention.

There are a number of fine breeds of cattle available in the country that can provide good foundation stock for initiating cattle development programmes. The need is for building up herds of pedigree cattle for the production of superior bulls in larg numbers. Government had initiate cattle development plans under th Key Village Scheme and the Intensiv

Cattle Development Projects (ICDP) and cross-breeding was started under various schemes with the aid of certain foreign agencies. Breeders societies for registration of cattle, supply of breeding stock of Hariana, Gir and Ongole cattle and Murran buffaloes were initiated and a coordinated research project for cattle breeding was started for cattle as well as buffaloes. These schemes were envisaged to establish farms for superior germplasm, at the same time giving attention to breeding, feeding effective disease control, scientific management practices and organised marketing facilities. Under the ICDP scheme each project was to cover 100,000 breedable cows and she-buffaloes to produce sufficient milk in a campact areas with good potential. The Indian Institute of Management, Ahmedabad, which made a study of ICDPs in 1967 came to the conclusion that the scheme was an effective method of cattle and dairy development. The Programme Evaluation Organisation of the Planning Commission however found lags in the supply of inputs.

dual purpose

It is essential that such breeds of cattle as well as buffaloes are encouraged as are able to provide efficient draught animals as well as milk sufficient for the requirements of our population. The scientists' panel on animal husbandry set up by the union ministry of Agriculture had in 1965 suggested selection among the indigenous pure breeds, grading of the non-descript with these established breeds and cross breeding with exotic foreign stock. There are certain tracts however where breeds of purely milch cows and buffaloes can be raised with profit. Encouragement should be given in these areas for the improvement of these breeds rather than try to make them dual purpose animals. Similarly there are tracts where farmers have with profit raised selective breeds of draught animals and derived large incomes by the sale of good quality bullocks. Planned efforts should be made at improving their draught capacity.

Buffalo is getting increasingly popular in the northern states for milk as well as draught purposes. The National Commission on Agriculture has recommended that seed stock buffalo farms should be established and research studies on the effect of feeding and husbandry on fattening buffalo calves should be undertaken. Consumption of buffalo meat should be promoted inside the country and steps taken to develop export trade in buffalo meat.

milk requirements

The Commission has estimated milk requirements by the year 2000 at 64.40 million tonnes. This is far to go from the current production at 21.70 million tonnes. According to the Commission milk production in the country will have to double by 1985. This can be achieved only when our existing low producing stock is replaced by cross-bred cows and improved indigenous varieties. The Commission has recommended that cattle and buffalo development programmes should be taken up in 150 selected districts by 1985 and in 200 districts by the year 2000. For artificial insemination, it should be possible to set up frozen semen stations in 75 districts by 1985 and 100,000 breedable animals should be covered in each district. By the year 2000, all the 200 districts should be provided with semen banks.

In spite of the adoption of recommended methods the cattle population is going to increase up to 1985 and thereafter the number will tend to come down. If the recommendations made by the Commission are implemented, it believes the gap between demand and production of milk can be effectively bridged between 1985 and the year 2000. Even with reduced total stock, improved milk supply and draught power can fully meet the increasing demand (see Records and Statistics, pages 1361 and 1362).

Organised dairying has three functions: (i) production of milk, (ii) collection and processing, and (iii) marketin of milk and its products. The Com mission has recommended that all thes activities should be executed throug integrated projects preferably b cooperatives. Apart from providin subsidiary income to most farmers thi could become the main occupation o a large number of landless an marginal farmers who could for the firs time get access to cash income the have hardly ever experienced so far.

'Operation flood', the dairy development and milk distribution scheme being implemented by the central government, has been able to make a breakthrough. It aims at generating more milk at rural milk shed areas and transporting the surplus to four metropolitan cities of Delhi, Bombay, Calcutta and Madras. The scheme has the twin objective of rural economic uplift of 10 million milk farmers and supply of milk to 25 million urban consumers. It has helped in exposing the village population to modernity and better hygiene. Availability of milk has increased and even pockets of surplus have emerged by the operation of the scheme.

unlimited potential

This is indicative of the potential that cattle breeding on scientific lines and dairy development have for promoting rural uplift. The economic social and cultural life of our villages is largely linked with its cattle wealth. Commissions and committees have off and on been set up over the years starting with the Royal Commission on Agriculture which submitted its report in 1928. Unfortunately, as on many other subjects of national importance, these reports have largely remained in the limbo of neglect. The National Commission on Agriculture has put in hard labour on inquiring into every aspect of animal husbandry. With growing population and rapid urbanisation, organised dairying and scientific husbandry on the pattern recommended by the Commission cannot brook delay.

Capital's Corridors

R. C. Ummat

Price trends • Manufacture of essential products • Sole selling agencies

AN ANALYSIS of the behaviour of prices of manufactured commodities vis-a-vis those of industrial raw materials and food articles, conducted recently by the department of Civil Supplies and Co-operation in the ministry of Industry and Civil Supplies, has thrown up some interesting trends. The overall fall of 7.1 per cent in the wholesale prices index (base 1961-62=100) in December, 1975, over December 1974, it has been found, was almost entirely due to the substantial decline of 11.2 per cent in the prices of food articles and 20.6 per cent in those of industrial raw materials.

decline in prices

The prices of manufactured goods during this period declined marginally by 1.4 per cent. The indices of the "liquor and tobacco", "fuel, power, light and lubricants", "chemicals" and "machinery and transport equipment" groups, on the other hand, moved up by 3 per cent, 14.9 per cent, 4.1 per cent and 2.4 per cent, respectively. If note is taken of the fact that the items included in the groups "chemicals" and "machinery and transport equipment" are of the nature of intermediate or finished goods—the former include caustic soda, soda ash, alum, bleaching powder, sulphuric acid and some other acids and the latter, among other things, electric fans, GLS lamps, FT lamps, dry cells, radio receiving sets, and cables and wires—which can be considered together with the group of "manufactures", no fall in prices is indicated over the year to December 1975.

Taking the financial year 1975-76, a similar trend in price movements is indicated in respect of the groups "food articles", "industrial raw materials", "liquor and tobacco" and "fuel, power, light and lubricants".

food articles

The prices of food articles during the period March 1975 to March 1976, showed a decline of 15.1 per cent and those of industrial raw materials to the order of 18.6 per cent. The prices of the "liquor and tobacco" and the "fuel, power, light and lubricants" groups went up by 4.4 per cent and 13.5 per cent, respectively.

The analysis for the period December 1974, to December 1975, however, does not hold good for the period March 1975 to March 1976, in the case of "chemicals", the prices of which during the latter period declined by 4.1 per cent as against a rise of 4.1 per cent in the former period, and "manufactures" whose prices rose by 0.1 per cent over the year as against a decline of 4.1 per cent in the previous year. The overall wholesale prices index in March 1976, was lower by 8.5 per cent compared to the level a year earlier due to a decline of 18.6 per cent in the prices of industrial raw materials and 15.1 per cent in those of food articles.

An analysis of the price trends of individual manufactured items has also been done by the department of Civil Supplies and Co-operation for the period February 1972 to February 1976. The overall wholesale prices index (base 1961-62=100) during this period moved up from 190.9 for the
week ended February 26, 1972 t
284.1 for the week ended Februar
28, 1976—an increase of 48.8 pe
cent. Among the major group
the highest increase (109.7 pe
cent) was recorded by the "fuel, powe
light and lubricants" group and th
lowest (31 per cent) by the "Indus
trial raw materials" group. The "liquo
and tobacco" group registered a
increase of 32.6 per cent, the "machi
nery and transport equipment" grou
to the order of 61.1 per cent and th
"chemicals" group to the extent o
57.7 per cent. The index for th
"manufactures" group moved up b
47.1 per cent and that for the "foo
articles" group by 44.3 per cent. Thus
whereas the wholesale prices of indus-
trial raw materials went up betwee
February 26, 1972 and February 28
1976 by 31 per cent, those of manu-
factures rose by 47.1 per cent.

disturbing fact

A more disturbing fact that has bee
revealed by this analysis, however, i
that in the case of several manu-
factured goods, the increase in price
during the four years to February 28
1976, has been much steeper than th
increase in the price index for th
"manufactures" group as a whol
These products include: coir yarn (62.
per cent), woollen manufactures (72.
per cent), knitting wool (89.6 pe
cent), cutlery and hardware (55.4 pe
cent), wood screws (50.2 per cent), tab
spoons of stainless steel (118.7 pe
cent), klik locks (51.5 per cent), brick
'A' quality (Delhi) (75.4 per cent
tiles (Mangalore pattern) (109.1 p
cent), bricks first quality (Bangalor
(142.2 per cent), window glass (2m
(158.6 per cent), window cut si
glass (153.4 per cent), bangles (120
per cent), pottery goods (61.9 p
cent), aspirin (79.4 per cent), sodiu
salicylic (B. P. Flakes) (58.1 per cen
quinine sulphate (68.0 per cent), c
tor hair oil (large) (48.5 per cen
Hamam large-sized soap (58.5
cent), Lux (large) toilet soap (6

per cent), Sunlight (large) soap (127.1 per cent), paints and varnishes (74.6 per cent), Protex talc powder (60.0 per cent), Afghan Snow (81.0 per cent), insecticides (114.2 per cent), shoes (55.4 per cent), Dunlop C. 49 giant cover (62.5 per cent), Dunlop giant tube (72.7 per cent), bus seat cushions (83.9 per cent), Duplex board (98.5 per cent), craft paper (56.8 per cent) lamps and lanterns (53.0 per cent), tea (63.8 per cent). coffee (59.9 per cent), Horlicks (54.6 per cent), Gluco biscuts (62.9 per cent), plain cream crackers ATC (74.3 per cent), and thin arrowroot packets (86.1 per cent). A number of other manufactured goods are said to have shown a similar trend. But as they do not figure in the compilation of the wholesale prices index. they have not been mentioned in the anlaysis.

smaller rise

The prices of the following products during the above four-year period, however, rose to a smaller extent than the increase in the price index for the manufactures as a whole: textile yarn (15.8 per cent), cotton yarn (9.4 per cent), rayon yarn (27.5 per cent), textiles (28.6 per cent), cotton manufactures (34.7 per cent), silk and rayon manufactures (27.9 per cent), bolts and nuts (43.8 per cent), wire nails (25.3 per cent), aluminium utensils (43.7 per cent), glass tumblers (32.5 per cent), vacuum flasks (43.6 per cent), 6 Oz. cups and saucers of standard quality (26.6 per cent), lime (44.6 per cent). drugs and medicines (43.6 per cent), toilet requisites (44.4 per cent), rubber tyres and tubes (38.3 per cent), matches (nil), clocks and watches (29.7 per cent).

* *

In still another analysis done by department of Civil Supplies and Co-operation, it has been observed that the production of several essential manufactured goods, which had shown an encouraging trend during the calendar year 1974, has tended to decline by the percentages indicated within brackets against them during the three months to March last. These include: toilet soap (15.8), washing soap (10.1), Janta soap (80.9), synthetic detergents (25.4), matches (25), leather footwear —Indian type (14.5) leather footwear —western type (83·9), plastic footwear (44.4), rubber footwear (33.3), razor blades (25.3), bicycle tyres (35.5), truck and bus tyres (13.6), dry cells (34), and vanaspati (30.1).

changed specifications

In the case of Janta soap, the fall in production is said to be accounted for by changed specifications. It is expected to go up when the improved Janta soap with 70 per cent total fatty matter, as against 65 per cent hitherto, is marketed in August next. The fall in the production of footwear is attributed to some extent to the strike in the factories of a leading manufacturer. No specific reason is mentioned in respect of the decline in the production of other products mentioned above —in the case of the some, the plausible reason is stated to be cut-back in production due to piling up of stocks. The supply position of all the above items, however, is considered to be fairly comfortable. The department, of course, is concerned about the fall in the production of several items. It fears that if the cut-back continues, it may lead to shortages and price hikes after some time.

Of the other items included in the list of 20 essential commodities, the production of cement, cultural paper, scooter tyres, baby food and sugar, however, is stated to be on the increase and that of soda ash normal.

* *

No blanket ban on the grant of sole selling agencies is envisaged for the time being. Only such cases where there is a purposeful diversion of a company's funds are proposed to be weeded out.

The Company Law Board undertakes periodically case-by-case studies of sole selling agencies. The genuine agencies rendering essential services in the distribution of a product are generally approved. In the appointment of sole selling agents abroad, the need for vigorous sales efforts in export promotion is being kept in view.

The Board is understood to have framed some broad criteria in deciding the cases of sole selling agencies. The factors being studied in each case before according approval or rejection are said to be: (i) the nature of the commodity traded; (ii) the extent of pre and after sales service rendered by sole selling agents; (iii) the extent of competition in the trade; (iv) the sales to bulk buyers; (v) the interest of sole selling agents in the principal company; and (vi) the organisational set-up of the manufacturers and the sole selling agents.

economies of distribution

Each case is being carefully considered on merit having regard to all the relevant circumstances. The genuine cases such as those agencies which have set up a regular network of sales organisations or which have achieved certain economies of distribution by trading in goods of more than one company are being allowed to continue.

No approval is given to the sole selling agencies meant only for the diversion of a company's profits to a closely-held organisation in which the management of the company concerned is interested.

Before a sole selling agency is terminated, some time is given to it for winding up its activities with a view not to suddenly disrupting the distribution channels.

In cases where sole selling agencies are allowed to be continued, it is seen that the terms of their appointments are reasonable in relation to the cost of services rendered by them and they are in no way prejudicial to the interests of the manufacturing company.

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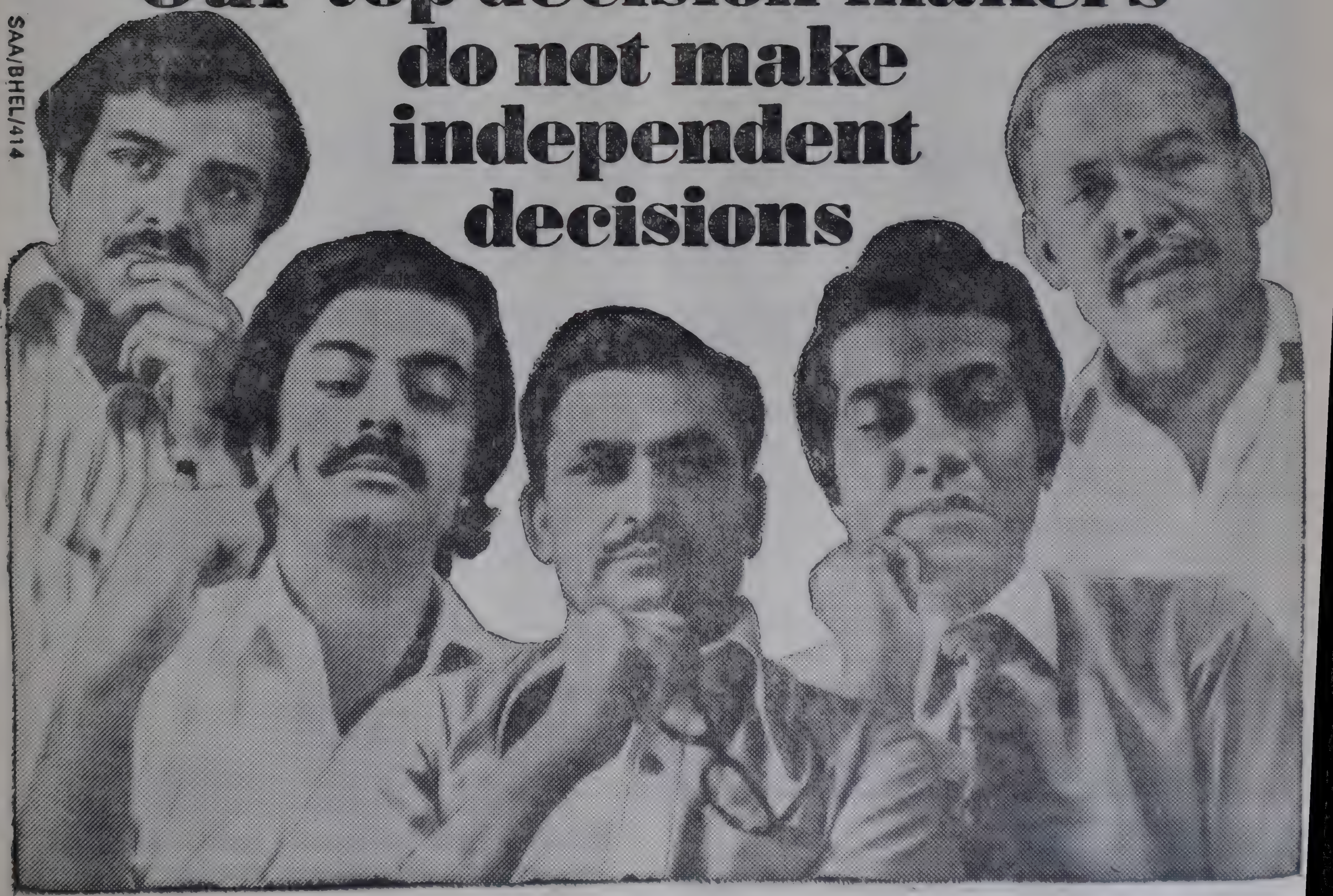

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POINT OF VIEW

Recession : a measure of imbalance ?

Dr Amar Nath Dutta

The continued spill-over of idle capacity from one industry to another is indicative of in-built tendencies of stagnation which call for a revision of monetary and fiscal policies.

FOR QUITE a long time our economy had grappled with a serious inflation that appeared almost uncontrollable. Thanks to the ingenuity of fiscal and monetary policies inflation has been controlled and stability returned. But demand management operations were applied at a time when the level of growth was already very low and a strict menitoring of the money supply unfortunately became coterminus with a growing sluggishness of the economy. Whether this should be branded as recession is better left to be debated over but the fact is that a segment of the industrial sector today is faced with the twin problems of lack of demand and a fast accumulation of stocks.

readjustment in demand

The continued spill-over of idle capacity from one industry to another is indicative of in-built stagnationist tendencies which have to be taken care of with all seriousness and prompt action. This calls for a suitable revision of the monetary and fiscal policy to ensure a readjustment in consumer demand and galvanise the industrial sector to dynamism and growth.

Beginning with late 1973, the world economy witnessed destabilising cyclical phenomena characterised by a spiralling price rise, severe recession and mounting unemployment. The almost 400 per cent rise in oil prices and the deteriorating balance of payments position led to a further deceleration of the rate of growth, already down to 2 to 3 per cent in most of the developed economies.

pronounced differences

However, differences in inflation rates as between nations still remain pronounced. In the 12-month period ended December, 1975, the highest inflation rate was recorded by Iceland (43.6 per cent) and the lowest by Switzerland (3.4 per cent). Britain recorded a slight rise to 24.9 per cent against 24.2 per cent in the previous 12-month period. The United States has brought down its annual rate of inflation from 11 per cent in 1974 for seven per cent in 1975, Japan from 24.5 per cent to 11.8 per cent, West Germany from seven per cent to six per cent and France from 13.7 per cent 11.7 per cent.

The various restrictive policies to combat inflation adopted by these countries bred forces of recession and, as a result, unemployment gained phenomenal heights. The number of unemployed crossed one million mark in Britain in July 1975 for the first time since 1940 and West Germany had more than a million unemployed for the first time in 20 years. The number of jobless doubled in New Zealand, Switzerland and Luxembourg. A mild recovery has been under-way since late 1975 but it is too slow to have any bearing on the developing countries, at least for some time to come.

The developments in the industrialised countries hit the developing countries hardest. With a less than self-reliant and growth-oriented industrial structure, the high prices of petroleum, industrial raw materials, fertilisers and foodgrains compelled these countries to reshape their Development plans and priorities.

The situation in our country was aggravated because the recession which first set in in such industries as textiles, cars, steel and air-conditioners, extended over a wide range of consumer durables such as radios, refrigerators, automobiles, T V sets, plastics, dry cells, electrical appliances, utensils, etc. Recession also affected a host of engineering industries, some priority induseries such as fertilisers and tractors and chemicals like soda ash.

first symptoms

How did the recessionary trends develop? The first symptoms of a recession become evident through a gradual decline in consumer demand. To the extent the consumer had to spend a substantial portion of his income on food and bare necessaries during the period of a continued price rise, adequate demand for industrial goods could not be generated. If demand did not pick up even after some stability had been achieved, the reason is that in the pricieg of most of the industrial goods excise duties and other indirect taxes constitute a major element.

For the consumers as a whole, it then implies a negative price and income effect. A steep increase in indirect taxes restricts consumer demand which in turn reacts adversely on production as unsold stocks continue to accumulate. It is therefore not surprising that while indirect taxes, particularly excise duties, moved in the upward direction, growth of industrial production registered a declining trend. In absolute terms, while collection of excise duties increased by over 100 per cent from Rs 1,675.41 crores in 1970-71 to Rs 3,500.44 crores in 1975-76, industrial production (wirh 1970=100 as base) rose by only 18.8 per cent in 1975.

adverse impact

The restrictive measures to combat inflation had an adverse impact upon production. As a follow-up to the credit squeeze, most banks froze credits at levels outstanding on a particular date irrespective of the limits sanctioned. Many proposals for setting up new industries and for effecting substantial expansion had to be shelved. Simultaneously, higher interest rates resulting in costlier bank credit pushed up the cost-price structure of a number of industries. Because of the continued stagnation, the extent of capacity utilisation in industry has been drastically reduced and the gradually increasing gap between supply and demand in all probabilities would tend to create a serious imbalance in the economy.

A study of some of the importent industries will make it clear that recession in consumer demand has been mainly caused by a steeply rising price structure. In almost every case, the imposition of excise duties and other indirect taxes has been quite substantial. How far industry has been hit by recession will be evident from the fast accumulation of stocks and the consequent decline in production. In the cotton textiles industry, both cloth and yarn stocks continued to accumlate with mills and the inventory of unsold stocks had a deleterious impact on the production of cloth

decline in cloth production

Production of cotton yarn during 1975 dropped to 991 million kg from 1007 million kg in 1974, a decline of about 1.5 per cent over the previous year. For mill-made fabrics, the decline was over five per cent from 4,316 million metres to 4,078 million metres. The position has marginally improved at the end of January 1976 but the stock position is still alarming. Stocks of yarn with mills remain firm at 150,000 bales while that for mill-made cloth it is 264,000 bales, representing production of a little over a month. The tapering-off of demand for cotton cloth has had a most unsettling impact on the financial viability of the industry. The recent budgct measure to replace "specific" excise levies on cotton fabrics by 'ad valorem' duties has further worsened the demand position.

A significant fall in demand was also evident in the case of jute textiles, the output of which was seriously affected by power cuts and set-back on the export front on account of stiff competition from synthetic substitutes. Despite a 30 per cent drop in prices on an average during the past year or so, jute manufacturers have suffered a sharp decline in offtake in overseas' markets leading to a monthly allocation of about 10,000 tonnes in mills' stocks. With a steady accumulation of unsold stocks valued at more than 15 crores of rupees the industry has been facing a precarious liquidity position and cutbacks in production as a sequel to the growing recessionary trends will have a destabilising influence on the employment position in the economy.

Heavy recession in the engineering
industry has been another major fact
of imbalance in the industrial sect
of the country's economy. Produ
tion in mini-steel plants is very mu
below capacity and the industry h
been put to serious financial difficulti
The machine building industry incl
ding machine tools is equally subje
to the rigours of a fall in demand.

The wagon building industry whic
is an important segment of the heav
engineering industry continues to b
seriously affected by the reduced of
take by consumers. Nearly 60 pe
cent of the orders are obtained fron
the Railways, the DGS & D, stat
electricity boards, etc but the flow o
orders has been both inadequate an
irregular. The peak production leve
of 27,565 wagons was attained i
1964-65 but virtually no significan
production orders were placed throughout 1974 and 1975.

limited benefit

The order for 15,500 wagons recently placed by the Railway Board spread over a period of three years is only of limited benefit to the industry. Against a total licensed capacity of 40,869 wagons, the installed capacity of the active units is estimated around 27,800. The average production of 10,000 wagons in recent years is barely 35 per cent of the installed capacity. With a proposed production target of 5000 wagons each year, capacity utilisation will be further reduced. Considering that substantial investment has already been made for creating wagon-building capacity to the tune of 28,000 units, it is essential that the units concerned are kept going. Any disruption in the production plans of these units will spell disaster to a host of ancillary producers who mostly belong to the eastern region.

Among other recession-hit industries, substantial decline in production took place in respect of room air-conditioners (73.5%), optical bleaching agents (24.9%), viscose yarn (23.6%)

nd cement machinery (43.5%). In he case of air-conditioners, capacity tilisation was only 18 per cent. In he case of domestic refrigerators, production was a little over 67,000 units during April-October 1975, against an installed annual capacity of 218,000 units. As a consequence, a number of units have already closed down while others have significantly curtailed their production.

automobile industry

Among the most seriously affected is the automobile industry. Production of passenger cars was slashed by 50 per cent in 1975 as against 1974. Even at the current low level, the demand continues to be far behind production. A major automobile manufacturer in West Bengal is reported to have laid off 3,000 workers and the production is only 1,000 cars compared to a capacity of 3000 cars a month. The price hike in cars and fuel have caused a decline in consumer demand by nearly 30 per cent. Excise duty and other levies on cars were estimated at about 50 per cent. In this year's budget, a five per cent excise relief has been allowed to automobiles but the impact will be marginal. Unless the running cost is reduced significantly, the industry cannot expect a substantial pick-up in demand.

The 300 per cent increase in the cost of fuel and the steady rise in maintenance expenditure are the two major destabilising factors affecting the fortunes of the industry. The simultaneous imposition of taxes on raw materials, on fabricated components and on finished products has led to a multi-point tax structure. The resultant effect is that effective tax burden is much higher than the nominal tax burden.

The slow-down in the automobile industry has affected the working of auto-ancillaries. About 170 ancillary units in the organised sector have reduced their working to a single shift and for the 600-odd small-scale units there are no prospects.

The situation is disquieting both in paper and paper-board industries. Production increased marginally to 850,000 tonnes in 1975 from 830,000 tonnes in 1974 but in terms of capacity utilisation there was a decline from the earlier level of around 84 per cent to 75 per cent in 1975. Further, the substitution of specific duty rates by ad valorem duties which now vary between 25 and 30 per cent will henceforth mean an increase in the duty incidence from Rs 200-300 to as much as Rs 700-1,000 per tonne and for a recession-hit industry, already faced with heavy stock accumulation, this will further aggravate the situation.

The above study brings home the fact that the industrial sector of the Indian economy is not yet out of the woods. Consumption demand cannot increase because of the tax-induced high price and lack of adequate funds for development purposes. On the other hand, production continues to stagnate because of stagnating demand, lack of credit facilities, and an unremenerative price structure. Already about 300 medium and large units and 4000 small units are reported to have gone out of production.

Capital investments of about Rs 1,500 crores and Rs 60 crores in the large and in the small sectors, respectively, are reportedly lying idle and over 300,000 workers are out of employment. It is difficult to bear such a huge loss for an indefinite period. The package of measures recently announced by the government is a step in the right direction but in the absence of an integrated and multi-pronged strategy, any piecemeal approach cannot make an effective dent on recession that continues to spread its tentacles to various sectors of the national economy.

To combat recession it is imperative to take such steps as will stimulate demand and remove the myriad constraints on industrial production. A selective reorientation of both fiscal and monetary policies is urgently needed. Fiscal policy should be sufficiently productive and investment oriented. At the same time, increased bank credit has to be made available to ensure that genuine credit needs in productive sectors do not go by default. A reduction in the cost of credit is necessary to spur a revival of the economy. To start with, a demand-generating expenditure plan should be drawn up by the government, accompanied with other supporting measures which will give a fillip to prodcction, employment, investment and saving. The question is not just priming the pump but making available necessary resources to flow through it.

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Manager

Resource use and farm productivity

J. P. Misra, Vipin Behari & S. N. Pandey

The adoption of new farm technology in the late sixties achieved a breakthrough in production and ushered in Green Revolution. In this article an attempt has been made by the authors to survey its impact on resource use pattern and productivity in agriculture in two villages near Kanpur.

IT IS a well recognised fact that by adopting the new strategy in late sixties, Indian agriculture has achieved a breakthrough, in common parlance called the 'Green Revolution'. Under the new strategy much attention is being given to the use of modern farm technology, particularly high-yielding varieties of seeds, chemical fertilisers and plant protection measures. This, coupled with other measures such as Intensive Agriculture District and Area Programmes, provision of irrigation facilities and farm credit, multiplied the productivity of farms many fold all over the country but particularly in north India. In this study an attempt has been made to survey the impact of the new farm technology on resource use pattern and productivity in agriculture in the two villages near Kanpur city. We have tried to find out the differences in resource use pattern and productivity for different-size groups of land holdings. The study is purely descriptive in nature. No attempt has been made to develop econometric models for the analyses of resource use pattern and productivity of agriculture in these villages.

under normal conditions

The study has been conducted in block Kalyanpur, district Kanpur. Two villages, namely Naramau and Maksudabad, were selected purposively for the field work. These villages were selected on the basis of their normal conditions as reported by the block office. In all 52 cultivators have been selected on equal probability basis from the two selected villages. From each village 26 cultivators were selected falling under three size-groups of land holdings, viz 0 to 2 hectares, 2 to 4 hectares and 4 and above hectares. The 26 selected cultivators were in proportion to their number falling in each size-group. The primary data was collected through personal interview with the cultivators for the agricultural year 1972-73.

pattern of expenditure

The responses of the farmers on various items related to agriculture have been analysed to find out the pattern of expenditure on different farm inputs and the productivity per unit total expenditure on farming for the three different size-groups of land holdings. Under agricultural inputs the following items were included: (1) fixed assets such as value of land, buildings, livestock, irrigational structures, implements, machinery, etc; (2) labour input comprising family labour, hired labour and bullock labour; (3) irrigation; (4) manure and fertilizers; (5) seed; and (6) plant protection measures. The findings of the pattern of expenditure on these inputs in the villages under study are given below.

The value of the fixed assets used in agriculture by the farmers of the two villages in the year 1972-73 is given in Table I. To complete the value of the assets we have used the prices given by the farmers themselves.

Table I shows maximum average total investment (Rs 10,984) on fixed assets for the farmers with holdings between 2 to 4 hectares and minimum Rs 10,276 for the farmers with holdings between 0 to 2 hectares. Almost similar pattern is seen in the average per hectare investment on land.

natural phenomenon

In the case of buildings and implements and machinery it is found that there is increasing value per hectare as the size of holdings increases. It is natural since better off farmers are supposed to have more buildings, implements and machinery as compared to poor farmers. In the case of livestock we get a reverse picture. Poor farmers have larger expenditure per hectare on livestock as compared to the better off farmers. For irrigational structures, it is found that Rs 688 was maximum investment per hectare for the farmers with 2 to 4 hectares of land holdings and Rs 496 was minimum for the farmers with 0-2 hectare holdings.

In relative terms, the average per hectare investment on land by the farmers of the two villages for the year 1972-73 turned out to be 83.47 to 86.07 per cent. It was followed in sequence by livestock, irrigational structures, buildings, implements and machinery and others for the size group 0-2 hectares and irrigational structures, livestock, buildings, implements and machinery and others for the other two size-groups of holdings.

In labour, we have taken into account human labour as well as bullock labour. Table II shows the average utilisation of human labour and bullock labour by the farmers in the three different size-groups of dings in the villages under dy.

n Table II labour inputs are consi- red in terms of mandays or bullock- ys per year after taking into account e average eight hours fieldwork per y by the farmers and bullocks. As e table shows the total utilisation of uman labour and bullock labour per ectare by the farmers having 2 to 4 ectares of land was maximum as ompared to farmers with 0-2 hectares ize group as well as the size group 4 hectares and above. Poor farmers i.e. those having 0 to 2 hectares of land utilized maximum family labour followed, in sequence by farmers with holdings 2 to 4 hectares and 4 hectares and above. In the case of hired human labour utilisation the order has been the reverse. It is obvious since the well-to-do farmers with 4 hectares and above have the capacity to hire labour while poor farmers do not. The value of labour per hectare per farmer is given along with other items in Table III. Exactly the same sequence was found for the total labour utilisation by the farmers as in the case of man-days or bullock-days since we have assumed uniform wage rates for all types of farmers.

other inputs

Irrigation, fertilisers, seeds, etc are other inputs used in agriculture. The average expenditure by the farmers of the two villages under study on all these inputs is given in Table III. Both the villages have facility of drawing water for irrigation from the canal and private wells. There is only one farmer who could afford a tube-well. Farmers are using traditional ways of manuring their farms. They are, of course, aware of chemical fertilisers. In fact, some of them are utilising them to the extent they can afford to do so. Lack of purchasing power restricts the use of chemical fertilisers by a majority of farmers. Most of the farmers are using improved varieties of seeds supplied by government agencies. The use of plant protection measures is almost negligible in the villages under study.

Table III shows the average per hectare expenditure by the farmers with different sizes of holdings on various items of resources. The resource use pattern, i.e. the expenditure pattern on inputs, was more or less similar for all classes of holdings. The 'medium' farmers i.e. those having 2 to 4 hectares of land, have higher level of total expenditure on resources than the other two categories. For all classes of farmers human labour constitutes 31.47 to 34.60 per cent share in total expenditure per hectare. It is followed by bullock labour 21.56 to 23.27 per cent, manure and fertilisers 16.60 to 18.65 per cent, irrigation 6.98 to 7.79 per cent,

TABLE I

Investment of Fixed Assets Per Hectare Per Farmer: 1972-73

(In rupees)

Sl No.	Assets	Size groups of holdings in hectare			Average
		0-2	2-4	4 & above	
1.	Land	8845 (86.07)	9169 (83.47)	8947 (84.26)	8987 (84.60)
2.	Buildings	188 (1.83)	289 (2.63)	321 (3.02)	266 (2.50)
3.	Livestock	542 (5.59)	536 (4.88)	400 (3.76)	493 (4.64)
4.	Irrigational Structures	496 (4.83)	688 (6.26)	599 (5.64)	591 (5.56)
5.	Implements & Machinery	146 (1.42)	237 (2.16)	290 (2.73)	224 (2.11)
6.	Others*	59 (0.58)	65 (0.60)	62 (0.59)	62 (0.59)
	Total	10276 (100)	10984 (100)	10619 (100)	10624 (100)

*Others include auxiliary articles such as ropes, buckets, baskets, etc.

Notes: (1) Figures in parenthesis denote percentages to total investment.
(2) Total percentage may not be exact because of rounding of figures.

TABLE II

Average Labour Utilisation Per Hectare : 1972-73

(Man-days)

Size-group of holdings in hectare	Average size of holding in hectare	Human labour			Bullock labour (Bullock-days)
		Family labour	Hired labour	Total	
0-2	1.11	130.58	29.60	160.18	29.42
2-4	2.98	89.04	77.82	166.86	47.74
4 & above	9.00	68.08	87.30	155.38	34.42

imputed interest on working capital 4.70 to 6.41 per cent, overhead charges 4.26 to 5.13 per cent and rent 0 to 1.41 per cent. Middle farmers, i.e. those having 2 to 4 hectares of land have spent more on fertilizers and irrigation than the other two categories of farmers during the year 1971-72 in the villages under study.

Three indices are used to measure the productivity of farmers, (1) *Profit*, which for this study is simply the difference between total revenue and total expenditure on inputs, (2) *family income*, which includes profit plus the value of family labour, and (3) *family business income*, which is equivalent to family income plus imputed interest on total working capital. The value of family labour is included in the family income since it is not paid to any outsider. Similarly, the value of bullock labour should also be included in the family income but in this study we have assumed it to cover up the expenditure on feeding the bullocks. Therefore, it is excluded from the family income. For the farmers with different sizes of land holdings, the estimates of productivity by the above three measures are given in Table IV.

average productivity

It is evident from Table IV that the average productivity of farmers with 2 to 4 hectares of land was higher than the farmers with 0 to 2 hectares or 4 and above hectares of land in the villages under study. From the previous discussion it is clear that farmers with 2 to 4 hectares put more resources in agriculture, particularly in fertilisers and irrigation, than the other two categories of farmers. So higher productivity for them is not surprising but obvious. Farmers having 4 and above hectares of land no doubt put the required resources in use but they have lower productivity probably because of mismanagement. It is interesting to find out the productivity of per unit expenditure on inputs of the farmers in different classes of land holding. Table V shows the average productivity per unit expenditure.

Table V indicates higher productivity per unit expenditure on inputs for the middle strata of farmers, i.e. for those who are having 2 to 4 hectares of land. Farmers with holdings of 4 hectares and above come in the second place and at the last are 'poor' farmers. Increasing returns are found for all the size-groups of holdings, that is the pr
ductivity is greater than one in relati
terms. Though the majority of farme
in the villages under study are po
yet they get higher returns from agr
culture. This seems to be the result
their greater awareness of modern far
technology, particularly the use
fertilisers and high yielding varieties
seeds. Depending on their purchasin

TABLE III

Value of Inputs Per Hectare, Per Farmer in 1972-73

(in rupees)

Inputs	Size of Holdings (Hectares)			Average for all farmers
	0-2	2-4	4 & above	
1. Human Labour				
(a) Family	261.16	178.09	136.16	191.80
	(25.82)	(13.62)	(11.47)	(16.17)
(b) Hired	88.81	233.38	261.90	194.73
	(8.97)	(17.85)	(21.30)	(16.41)
Total	349.97	411.57	402.43	386.36
	(34.60)	(31.47)	(32.77)	(32.58)
2. Bullock-labour	235.34	281.91	275.37	264.54
	(23.27)	(21.56)	(22.47)	(22.31)
3. Seed	76.38	72.85	80.65	76.56
	(7.55)	(5.57)	(6.57)	(6.46)
4. Manure & Fertilizers	167.90	343.93	227.52	212.78
	(16.60)	(18.65)	(18.53)	(17.94)
5. Irrigation	78.82	92.63	85.73	85.72
	(7.79)	(7.08)	(6.98)	(7.23)
6. Plant Protection	2.70	49.23	10.56	20.83
	(0.27)	(3.76)	(0.86)	(1.76)
7. Rent	*	18.39	14.67	16.53
	—	(1.41)	(1.19)	(1.39)
8. Overhead Charges	51.90	57.33	52.32	53.85
	(5.13)	(4.38)	(4.26)	(4.54)
9. Interest on Working Capital (imputed)	48.41	79.86	78.75	68.67
	(4.79)	(6.11)	(6.41)	(5.79)
Total expenditure	1011.43	1307.70	1228.00	1185.84
	(100)	(100)	(100)	(100)

*Small farmers are exempted from land rent by the Government.

Note: Figures in brackets show percentages to total cost of farming.

power, they use these inputs for the maximum exploitation of their land. However, their poverty comes in their way which makes them somewhat 'traditional' in farm practices.

the results

The objective of this study was to analyse the resource use pattern and productivity in agriculture in the two villages near Kanpur. For this purpose, responses of 52 farmers having different size of land holdings have been analysed from which we got the following results:

(1) About 34 per cent of farmers in the villages under study are extremely poor having 0 to 2 hectares of land. Another 35 per cent comes in the category of middle farmers having 2 to 4 hectares of land, and remaining 31 per cent are having more than 4 hectares of land.

(2) More than 60 per cent of farmers are illiterate. In spite of this they are aware of modern farm technology, especially, the use of high yielding varieties of seeds, chemical fertilisers and plant protection measures. The nearness to Kanpur city which has a well-developed agricultural institute and the extensive activities of local block development office may be the reasons for their awareness about modern farm technology.

(3) The resource use pattern for the year 1972-73 has been almost similar for the different sizes of land holdings in the villages. The farmers having 2 to 4 hectares of land, however, put more resources, particularly in irrigation and fertilisers, than the others. Because of this they have shown a higher degree of productivity than the others.

(4) The productivity per unit expenditure on inputs was more than unity for the farmers in the villages in 1971-72. They were thus having increasing returns from agriculture. The maximum return of Rs 2.30 per rupee expenditure on inputs was found for the farmers with 2 to 4 hectares of land. It was followed by Rs 2.04 for the farmers with 4 or more hectares of land. On the average the farmers got Rs 2.07 from per rupee expenditure on inputs in villages under study.

(5) From this study it is difficult to say that the farmers of the two villages are experiencing the Green Revolution. Nevertheless, in spite of low purchasing power for a majority of them, their productivity in farming is quite impressive. They have potential for further improvement in productivity if they are subsidised adequately for the purchase of agricultural inputs, particularly, fertilisers and farm-protection measures.

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TABLE IV

Measures of Farm Productivity : 1972-73

(Rs per hectare per family)

Size of holdings	Gross expenditure	Gross revenue	Profit (3—2)	Family income (4+ family labour)	Family business income (5+imputed interest)
1	2	3	4	5	6
0-2 Hectares	1011.43	1894.86	883.43	1144.59	1193.00
2-4 ,,	1307.70	3012.19	1704.49	1882.58	1962.44
4 & above	1228.00	2508.33	1280.03	1416.19	1494.94
Average	**1182.37**	**2471.69**	**1289.31**	**1418.13**	**1550.12**

TABLE V

Average Productivity Per Unit Expenditure on Resources

(in rupees)

Size of holding	Total output per hectare	Total input expenditure (per hectare)	Output per unit expenditure on total inputs
0-2 Hectares	1894.86	1011.43	1.87
2-4 ,,	3012.19	1307.70	2.30
4 Hectares & Above	2508.03	1228.00	2.04
Average for all	**2471.69**	**1182.37**	**2.07**

WINDOW ON THE WORLD

Habitat's global challenge

Barbara Ward

Mankind is in a race for survival, warns Barbara Ward, in which tumultuous forces of social and environmental change clash in human settlements, the burdened targets of the greatest migration the world has known.

Miss Ward was a prime mover in Habitat—the UN world conference held in Vancouver from May 31 to June 11, 1976—as indeed, she has been in many other drives to avert perils to the human race. Born in England in the spring of 1914, she won first class honours at Oxford and taught there until 1940 when she joined The Economist, in which her persuasive contributions still appear. Much honoured for her brilliant work in a wide variety of economic and related studies, she was named Albert Schweitzer Professor of International Development at Columbia University in 1968, and since 1973 has headed the International Institute for Environment and Development in London. This article is from her book "The Home of Man".

THERE ARE two reasons why it is exceedingly difficult to get a coherent grip on the issue of the human habitat—the settlement where all the world's people, save for dwindling groups of nomads, are born, live out their lives and go to their death.

The first reason is that this habitat includes everything. A Roman philosopher once said: "Nothing human is alien to me." How much more true is this of the inescapable context within which the whole of existence is carried out. What can we leave out when we are talking of the complete life-cycle of mankind? Yet to try to grasp everything is to risk grasping nothing. The entirety of the human condition certainly escapes the poet. So whatever is written about our habitat must submit to being incomplete. Perhaps, as a result, it will leave out vital clues to coherence and understanding.

The second reason is even more daunting. At no times in human history has the man-made environment of life been in such a state of convulsed and complete crisis. This is not to suggest that great unheavals have not repeatedly overtaken humanity. Great civilizations have perished. Empires have fallen like skittles in a bowling alley. On the very threshold of the so-called Age of Progress, in the 17th century, a perturbed observer like Sir Thomas Browne could observe: "The world's great mutations are ended." Throughout history, in the dark aftermath of plague or war, folk songs and ballads are full of the loss and collapse of human hopes. Compare this Elizabethan verse:

> Brightness falls from the air
> Queens have died young and fair

with the lament made for the destruction of man's earliest city, Ur, about the year 2000BC:

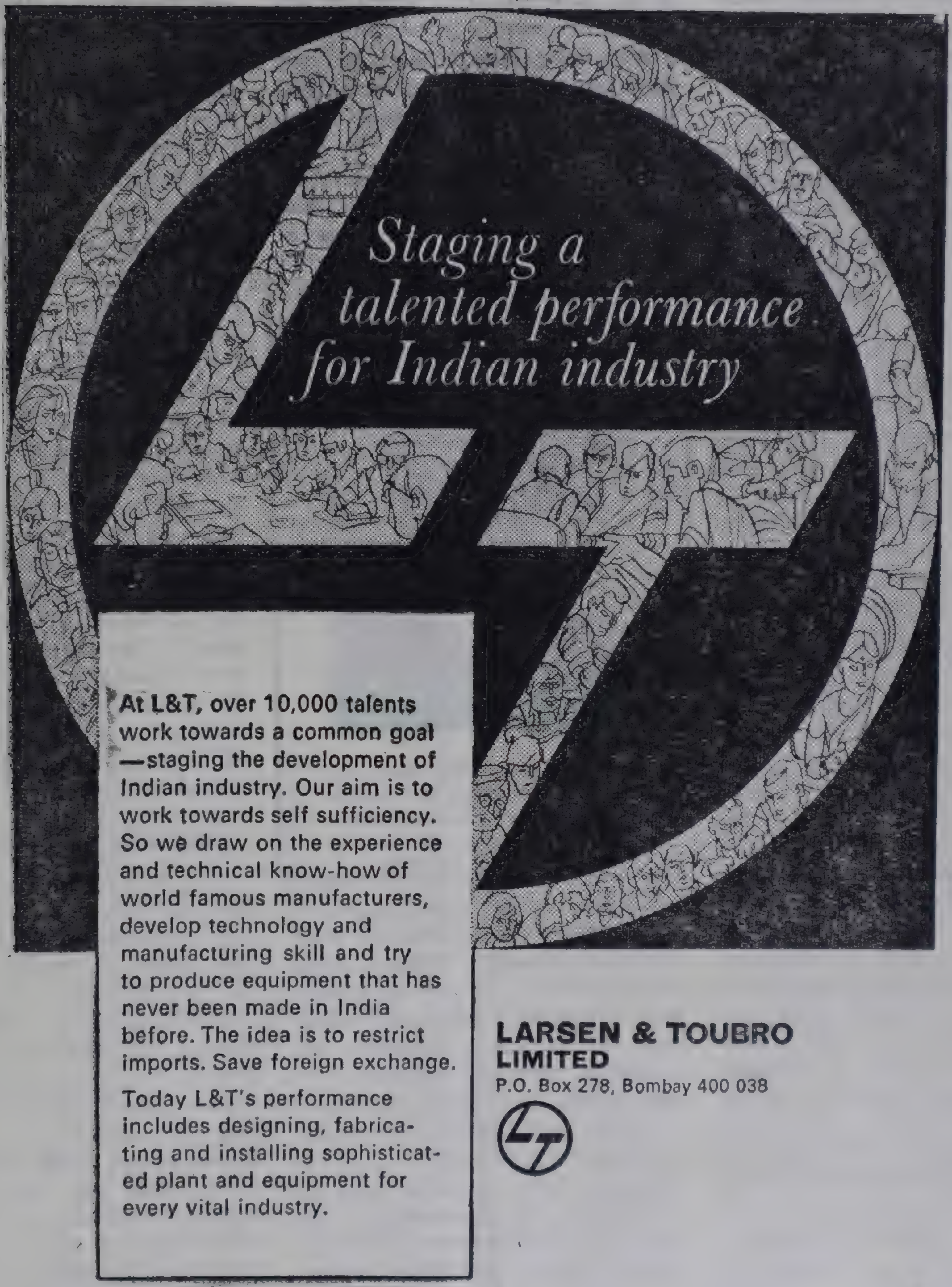
> Verily all my birds and winged creatures
>
> have flown away —
>
> 'Alas! for my city' I will say.
>
> My daughters and my sons have been carried off —
>
> 'Alas! for my men,' I will say.
> O my city which exists no longer,
> my city
> attacked without cause,
> O my city attacked and destroyed!

Few lives indeed have escaped all echo of the mourning cry in Ecclesiastes: "Man is born to trouble as the spark flyeth upwards."

But if the intensity of crisis is not new, the sheer scale undoubtedly is. The figures are becoming so well known that it is hard to remind ourselves how phenomenal they are. Yet they must be repeated. On any recognizable definition of what is a human being, it took at least half a million years for the first 100 million people to appear on the face of the Earth — at about the year 1000 BC, in the wake of improvements in agriculture and increases in food supplies brought about first by Neolithic man and then by the great valley civilizations — in Egypt and Mesopotamia, in North India and China. Farming, handicrafts and commerce continued to develop irregularly but expansively for the next 2,500 years. By about 1500 AD, there were perhaps 500 million human beings on Earth.

staggering growth

Then the great accelerations began — in knowledge, in power, in resources and technology, in mobility, in conquest. The first thousand-million mark for humanity was passed about 1830. The next thousand million took only a hundred years, the next only thirty. Today, with about four thousand



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million beings on the planet, the added thousand million has taken only 15 years. This rate of growth means that in the first decade of the next century, a whole new world, equivalent in numbers to this one, will be piled on top of the present level of population.

Malthusian nightmare

Further ahead, the predictions become even more fantastic — over 250 million more people a year by 2034, the bicentenary of the death of Thomas Malthus, the first man to postulate the theorem that population would always grow to exhaust the available food supplies. But such predictions belong to the world of dreams — or rather of nightmares. Before such increases could take place, the old destroyers — hunger, war, plague, "death on a pale horse" — would wipe out the surplus. What we are concerned with today is the imminent doubling of our planetary numbers in less than 40 years.

Scale is not the end of the cataclysmic nature of modern change. Once again, the figures are known and repetition can stale their impact. Yet we have to make the effort of imagination needed to realise that after some 15,000 years of organized human existence in recognizable settlements, the whole character of this habitat is being radically transformed in less than a hundred years. If we take "urban" as the adjective to qualify settlements of more than 20,000 inhabitants, throughout most of human history at least 90 per cent of the people have lived not in cities but in hamlets, villages or, at most, in small towns. At the time of the American Revolution, for instance, that was the percentage of Americans living in centres of no more than 2,500.

Now compare with this the sudden explosive acceleration of change in the 20th century. After a hundred years or so of industrialisation, the number of people in urban areas at the end of the 19th century was about 250 million in a world population of 1,650 million — the urban population accounting for 15 per cent of the world total, a little higher than the earlier urban figure of 10 per cent but still leaving the world's rural peoples in overwhelming predominance. And now in just a century, this millennial relationship is being overthrown with almost inconceivable speed. By 1960, urban populations had growth to one thousand million in a world of three thousand million — a rural ratio of two to one. Today, urban peoples are racing towards the 1,500-million mark out of a total world population of four thousand million; ten years from now, they will pass the two-thousand-million level. By the year 2000, there will actually be more urban dwellers than rural people in a world population which will have risen to between six and seven thousand million.

Jossleyn Hennessy who had been contributing a London Letter to the *Eastern Economist* for 25 years. He died in London on April 29, 1976.

We also have to realise what an astonishingly new phenomenon is the city of one million people. Probably neither Rome nor Byzantium reached that peak even at their greatest extent. True, if Marco Polo's impressions can be trusted, Kinsai in China — on the site of today's Hankow — may have had three million inhabitants in the 13th century and Edo, as Tokyo was first called, seems to have reached one million by the 18th century. But the concept of a "big city" did not go much beyond 100,000 until the beginnings of the 19th century; it is almost comical to recall that, at the time of the American Revolution, only two cities, Boston and Philadelphia, had even reached 50,000.

Then with the spread of industrialization and of worldwide trade, the city of one million begins to race ahead. London reached the mark in the 1820s. By 1900, there were 11 "million-cities", six of them in Europe, then still the imperial and commercial dominant of the world. But the jump from two to 11 in the 19th century has been followed by an infinitely more formidable acceleration in our own time. By 1950, there were 75 million-cities, 51 of them in developed regions 24 in the developing world. Today, the developing nations have pulled ahead. They contain 101 such cities, out of a world total of 191. By 1985, the million city will have jumped from 11 to 273 in less than a century and 147 of them will be in the less developed lands.

gigantic agglomerations

And even this vast multiplication does not fully measure the contemporary unheaval in human settlements. The million city begins to explode into the 10 million city. There were two of them in 1950 — New York and London. By 1970 there were four. But by 1985 there will be at least 17 of these gigantic agglomerations, 10 of them in developing areas — with Mexico city, at nearly 18 million, only a step behind New York. And at the head of the list Edo's successor, Tokyo, will recover its earlier primacy with the dubious distinction of bringing 25 million people together in a single conurbation.

We may, of course, question whether some of the more surrealist redictions for instance, a Calcutta of ver 50 million — will ever be reached. Various degrees of urban collapse may well have intervened. But the projections are valuable as indicators of the sheer avalanche-like scale with which the world's peoples are increasing, heaving themselves out of the millennial framework of village and small town and descending in deluges of mixed hope and despair on the world's larger settlements.

To seek analogies for change on this scale, one has the obscure feeling that only the distant reaches of geological time can provide any adequate concept of the scale of the upheaval. The Indian subcontinent detaching itself from Antarctica and sweeping across the Indian Ocean to its violent collision with Asia's land mass along the Himalayas, the sea pouring into change the Caribbean or the South China seas into a chain of islands, the grinding of continental plateaus against each other, heaving up the Andes and leaving volcanic chains where Asia and Europe collide — these are surely the images that are appropriate to the scale of the 20th century's urban deluge. We are in the full tide of this great sweep. Its final consequences lie ahead. But already the ground shakes, We should hear, if we were listening, the mutter of the approaching storm. And the upheavel is not simply a physical upheaval — it is taking place within two wider but equally unstable contexts, one social, the other, ecological. They, too, are unique in the experience of mankind.

human dream

The social context is the deepening conquest of the human imagination by a dimly perceived but passionately longed-for vision of equality and dignity for every human being. This dream has, no doubt, many roots—archetypal memories of the unselfconscious equality of tribal society, the millennial Neolithic experience of shared tasks and modest returns in early agriculture, passionate revulsion against arrogance and greed in the wake of man's first experiments in "high" civilization in Babylon or Mohen-jo-Daro, in Ch'Ang An or Rome. But, for modern society, the Biblical strain is unmistakable. The rights of the downtrodden, the duties of the fortunate, the value and dignity of the poor, the harsh condemnation of irresponsible wealth, these are judgements and energies inherited from western man's biblical tradition — inherited even when betrayed — and, in our own day, this tradition either colours the imagination, troubles the conscience or at least perturbs the complacency of all mankind. And, as our world prepares to add another world equal in numbers to itself in no more than four decades, the cry for greater justice and dignity for all these thousands of millions will not be stilled. On the contrary, it will be raised all the more insistently as numbers and pressures increase.

dignity of man

But it is one thing to underline the fact that people's growing sense of their dignity and equality — both individually and collectively — is a near-universal phenomenon, an "inner limits" to the development of planetary society which can be transgressed only at the risk of the severest social disorder and breakdown. It is quite another to achieve even minimum agreement upon the content of this new perception of the human condition.

As a rough first definition we can start by recognizing that any valid concept of dignity and equality includes a number of non-material "goods" — responsibility, security and participation, the free exchange of thought and experience, a degree of human respect that is independent of monetary rewards or bureaucratic hierarchies and a realization that this respect is lacking where rewards and hierrchies are too restrictive or too skewed. All these goods or culture, of man's mind and spirit, need not be costly in term of material resources. Indeed, the belong to the sphere of life wher growth is truly exponential — in knowledge, in beauty, in neighbourliness and human concern.

spectrum of uncertainity

But they require physical underpinning. And here the pressures bring us to a further context of great uncertainty and risk. When we try to establish even the minimum physical conditions of a worthy human existence, we confront the widest possible spectrum of uncertainty. For one thing, there are inscapable differences of climate and culture — Arctic housing tells us nothing about tropical standards, or Mediterranean radiance about the midnight sun. Diet, uses of energy, patterns of worship, work and play partly and rightly reflect a vast and precious variety of cultures and social purposes. But we can perhaps accept an irreducible minimum — another "inner limit", this time the limit of physical well-being, which human society transgresses at its peril and which must include food, energy, shelter and the training and worked required to secure them.

It is all to easy to see that even on this exceedingly modest standard, the task of achieving minimum conditions of human dignity for between six and seven thousand million people by the year 2000 constitutes a tremendous physical task, raises wholly new questions about the use, abuse and exhaustion of resources, and begins, for the first time in history, to hint at risks to the integrity of the entire life-support systems of the planet's biosphere. These, if you like, are the "outer limits" beyond which the human race cannot march—or stray—without risking its own survival.

To take these high abstraction down to a more homely level, we ca note that in the crucial area of food to bring up to a decent norm o subsistence two thousand million o so people in developing lands who are now below it, and to ensure that the next two thousand million born there achieve it, requires little short of a new agricultural revolution, with vast increases in supplies of fertilizer, improved seed, and farm machinery—and equally vast impacts on the world's reserves of soil and water, in using and possibly in polluting them.

energy norms

Nor will the fertilizer and machinery be produced or used without a corresponding leap forward in the demand for energy. Once again, an energy "norm" per person is a difficult concept. Again there must be some halfway house between extravagance and direct need. In another of those giant accelerations, between 1900 and 1970 world energy consumption rose from about 650 million metric tons of coal equivalent to 6,600 million metric tons—more than a tenfold increase—and the bulk of it occurred in the halcyon 1950s with oil coming out of the sands at a dollar a barrel. Rising costs may, perhaps, check the rate of acceleration but estimates as high as 21,800 million tons of consumption for the year 2000 have been made in United Nations surveys.

We should notice that these extrapolations have been based on present use. Yet today the two-thirds of the world's peoples who live in developing countries consume 15 times less energy, on the average, than do the citizens of developed societies. Given the vast attractiveness of substituting mechanical for muscular energy—the man on the tractor for the man with the hoe, not to speak of the single driver in the four-seater car—future energy use may be grossly underestimated unless it assumes at least a doubling and trebling of demand among the present poor. Adding that to existing extrapolations, the limit of safe exploitation may be fixed not by the availability, cost or risk of new energy sources but by the "outer limits" of thermal pollution on a planetary scale.

Nor should we forget the part played by energy in a further dimension of basic physical need—the need for shelter. In constructing houses, using them, in creating in them the warmth for cold winters, the coolness for torrid summers, and all the services of the household, from cooking to piped water and sewage disposal, all of which turn a mere building into a treasured home, energy in its cleanest and apparently most trouble-free form—electricity—has come to dominate the houses of the developed world. In fact, the 4,740,000 substandard houses of the United States are largely defined by the absence of such services as water closets, baths and heating appliances, which require energy to provide them. The enormous gap between energy use in developed and developing countries is in part explained by the degree to which such services are simply unavailable to the poorest groups. Nearly half the municipalities of Latin America have neither sewage systems nor piped water. The proportion on the Indian subcontinent and parts of Africa is higher still. The open drain down the main street, the contaminated well at the corner crossing—these can be the ugly symbols of man's habitat in energy-poor societies.

gigantic scale

Of course, they are not the only symbols. The degradations continue downwards in degrees of squalour—from a family to each room (the figure for 80 per cent of the people in Calcutta), to four families to a room, to tarpaper shacks, to shift-sleeping in literally make-shift beds, to no rooms or roofs at all and thousands sleeping on the pavement. Various UN surveys put the number of houses that need to be built to keep up with growing numbers and repair the worst evils of the past at over 47 million units every year. The figure can only be an estimate and tells us not too much about the resources required. Rural housing in reasonable climates makes far less claim on materials or energy that the dense tenements of great urban conglomerations. But if the figures are not absolutely precise, they are precise enough to suggest that perhaps a quarter of mankind has barely attained the dignity of a roof—and there are 70 million more humans to accommodate every year.

race for survival

Add to this trend of inadequate food, energy and shelter the basic needs of training in a world where illiteracy is actually increasing and of work in areas where half the labour force may be underemployed for part of every year and we can see how near the human race is coming to the point at which the "inner limit" of human dignity is finally transgressed—and the most rapidly eroding of all resources, the patience of the poor, will compound the vast material strains entailed in acting in time, on an adequate scale and without irreversible environmental disruption, to meet humanity's basic needs. Mankind is in fact engaged in a kind of race for survival between the inner and outer boundaries of social pressure and physical constraint while the doubling of the world's peoples and emergence of a half-urban world takes place in only four decades.

These overlapping contexts of violent demographic, social and environmental change all meet, one could say collide, in human settlements. These places must carry the vast weight of the migrations—over-crowding at the terminus, decay and blight in the deserted areas. They are also the meeting place of all the aspirations and demands of mankind's enlarged sense of its human dignity. In village or town, in suburb or slum, men and women experience in their daily environment the fulfilment or frustration of all the drives and demands of aspiring modernity. Above all, it is in settlements that the physical consequences of the vast upheavals will h their climax. Millions upon illions crowded in the exploding ties, all too often without the minimal rovisions for urban cleanliness, offer an's most concentrated insult to the upport systems of air, water and soil pon whose integrity the survival of ife itself depends. If it seems difficult, lmost by definition, to grasp the full scale and implications of the problems raised by the human habitat, it seems virtually impossible to do so if they are caught in these changing contexts, this whirling kaleidoscope of interlocking and contradictory forces, needs, aspirations and risks.

But remarkable enough, the vast and uncertain contexts of explosive growth, explosive aspirations and potential biophysical limits do not compoud the problem of devising some sense of meaning and strategy in our approach to human settlements. On the contrary, the three contexts, rightly placed and judged, can provide clues for analysis and priorities for action. The demographic flood is potentially so damaging precisely because it is a flood—in other words, an unmanaged, unintended, disorganized rush, pellmell, into the new urban order. But what this suggests is not further confusion but the opposite intention—a fully human one—to grasp the meaning of the phenomenon and produce urban settlements not by chance but by some measure of design. The first pointer is thus away from building the city by chance and over to the city built for human purposes.

Then the other two contexts fall better into place. For the first purpose of any settlement must be to end inhuman deprivation. There are a great many other needs, no doubt. And some of the aspirations of more fortunate citizens may, consciously or unconsciously, contribute degradation elsewhere. But this does not change the priority. Before the problem of, say, the highly rewarded but often culturally deprived life-styles of wealthy single-class suburbs is dealt with, families in settlements must by able to satisfy the minimum needs—food, energy, secure shelter and work. Often there are no contradictions. Nothing, for instance, so reduced the death rate of the 19th century poor as the sewage systems built at the instance of the 19th century rich. But cities must be built not for economics alone—to build up the property market; not for politics alone—to glorify the Prince (in whatever form of government). They must be built for people and for the poorest first.

And in this new intended order, the limits on material resources and on the environment must, for the first time, be recognized as fundamental challenges and constraints. The settlement by design, the settlement for people, the conserving and enhancing settlement—these are the priorities as strategic guidelines, the tactics the business—land use, shelter, utilities, traffic, work recreation, convenience, beauty—can be rationally considered and some decisions for policy arrived at. We do not need to repeat the pessimism of Clemenceau in 1919. As he said, we do indeed have chaos. But, unlike him, we can realise that we have enough "to make a world".

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Good job done at Nairobi

E. B. Brook, Vienna

The old industrial states, weakened by inflation and unemployment and fearful of a spread of communism, have at last, come to see in the new industrial states possible partners and not competitors or suppliants.

After some four weeks of stonewalling at Nairobi the industrial giants gave way before what they saw as the risk of another dislocation of essential supplies and agreed, after prolonging an already lengthy conference, to a relatively reasonable formula and support plan for raw materials supplied from industrially developing countries.

The essential points of the programme put forward by UNCTAD and discussed for many months at its Geneva headquarters have been conceded. Many details have still to be worked out and formulas to be made more precise in definition. But the long-contested plan for an international fund to finance the building of storage room for excess stocks of raw materials where they can await more favourable market opportunities has been conceded.

For weeks the major industrial countries, including Japan, had opposed the concept, spoken of its impossibility and refused to consider even modifications of the UNCTAD idea. Only at the very end of the conference, when it appeared that four rather angry, strenuous weeks had been wasted and only confrontation emerging, did Britain begin to weaken and to leave the USA, West Germany and Japan holding the responsibility for a breakdown. The moral force of thus being left alone in opposition to the forcibly argued morality of the "developing" countries' case was too much for, especially, West Germany which faced the prospect also of being alone among the European Nine.

Scarcely less obstinate was the industrialist states' lack of sympathy, except verbal, with those countries with book-keeping liabilities in meeting charges for loans made to them and thus facing near, if not actual, bankruptcy. At the end a compromise proposal to examin each such case individually and constructively was accepted. The oil-ric OPEC had already decided to offe financial help in the most difficult case among the developing states, but only i the industrialised states made a more generous proposition.

The dust is beginning to settle till next March when details of raw materials bonding will begin to be worked out. There is an immense amount of work to be done—over a fairer share of patents for the newer industrial states; over a completely new approach to the difficulties and nature of aid to or cooperation with developing states; over methods of avoiding severe mutations in exchange rates and, above all, over how to lessen the risk and effects of inflation.

a moral victory

A moral victory, at least in the first round, the Nairobi meeting may have been. More to the point is the fact that the old industrial states, weakened by inflation and unemployment and fearful of a spread of communism, have at last, it seems, come to see in the new industrial states possible partners and not competitors or suppliants. A good job of work has been done. Many more good jobs of work remain to be tackled.

The OPEC conference in Bali proved to be more conservative than had been widely expected. For the time being, at least, the organisation's headquarters will remain in Vienna—though it is probable that most ministers' meetings will be held elsewhere—and, more important, for the time being also, the price of oil remains unchanged. There may be attempts by some of the minority dissident oil exporters to charge a higher price. But they will probably be obliged to toe the OPEC line which is set fairly firmly by the major exporters, and especially by Saudi Arabia which gains even greater influence since Iran has lost a little through its financial difficulties caused by ambitious expansion plans and heavy spending over armaments.

It is interesting to note that both the industrial leaders and the Soviet Union had made preparations to handle a different situation. The International Energy Agency, based in Paris and grouping 19 influential industrial states, approved a detailed programme of operating rules that would automatically bring into force an oil-sharing plan if ever there were a new oil crisis. The plan will go into effect if oil supplies ever drop below a certain percentage under normal levels. If a member's energy supplies dropped by more than seven per cent of normal an allocation of oil would be made to it by the agency. This is the first time in peacetime that leading industrial states have adopted detailed rules for sharing vital energy resources in a crisis situation.

The Soviet anticipatory reaction was to offer western industrial states oil supplies—in several cases increased oil supplies—at current rates on a long term contract. The states to which the offer was made appear to have been sufficiently confident of their own positions, of their IEA emergency plan and, perhaps, of OPEC's decision to refrain from placing immediate extra orders with the USSR.

USSR oil exports

This tactic was not altogether a new development from the Soviet Union. Attracted by the high world prices for petroleum it has been shipping a record volume of crude oil to west Europe for more than twelve months. Its supplies to its communist partners in east Europe have been kept to the contracted figure and consumption at home has not been allowed to grow. This means that three-quarters of Soviet oil exports continued to flow to other parts of east Europe unchanged while exports to west Europe have increased five-fold and have absorbed the increase in Soviet oil raisings which have been steadily driven forward. The proportion in exports from the USSR appears now to be 1.6 billion barrels daily to the rest of east Europe and 480 million barrels a day to west Europe. The east Europeans also enjoy a preferential price for their deliveries from the USSR, somewhat below world price.

To meet this fairly heavily increased export Soviet oil raising was forced up last year by some seven per cent to a daily average of 9.7 billion barrels. Domestic use of oil is discouraged and fell last year to a growth of only five per cent compared with between seven and eight per cent the year before. Use of coal and other low grade fuels is encouraged within the USSR. Almost all the increase in Soviet oil production comes from the west Siberian fields which have pushed ahead to fulfil some 30 per cent of national output. By 1980 the Siberian share, according to Moscow's planners, will be half the total output. The increase in exports to west Europe is largely made up of crude oil; much of the more long standing exports westwards are of refined products, particularly fuel oil. Most of the increase is taken up by Finland, Sweden, West Germany, France and Italy—itself a small oil exporter.

While west Europe gives itself a largely unnecessary attack of jitters about possible communist political successes, especially in the Italian elections, many have failed to realise that dubious behaviour in high places or, at least, in industrial high places, has soured the average citizen's opinion of some forms of capitalist enterprise. While not turning this average citizen into a communist, the scandals, such as the Lockhead and several oil briberies, have lessened public regard for the big industrial leaders, roused suspicions of their political influence and, by inversion, helped their opponents.

tough code

If this is not generally realised it has certainly been taken into account by the OCED, the Paris-based Organization for Economic Cooperation and Development. This month a strict code for multinational enterprises drawn up by the OCED will be formally adopted. It contains some tough recommendations regarding bribery. The OECD has been ged by the USA and other governents of the more highly industrialised orld to be really strict about both ibery and involvement in foreign olitical affairs. The final draft has een under discussion for some time nd was hardened by news of the Lockeed activities and payments to Italian olitical parties. It lays down that ultinationals....“should not render—nd should not be solicited or expected o render—any bribe or other improper benefit, direct or indirect, to any public servant or holder of public office....they should abstain from any improper involvement in local political activities.”

Multinationals are urged to be more frank about their own structure and the structure of affiliates and to refrain from actions adversely affecting competition. They should also have regard to host countries' balance of payments and to their credit policies and abide by host countries' taxation laws, avoid artificial transfer pricing in order to avoid tax obligations to their hosts.

Very strongly in contrast to this strict code is an attitude expressed in the USA by a multinational corporations' lawyer who puts bribery on a par with entertainment of prospective clients. He points out that there have been a number of executions for bribery in communist countries which, like the OECD, strongly disapprove of bribery if it is detected. “Bribery”, says the law professor, “is an institutionalised fact of business life and pervasive worldwide.” In some countries bribes are regularly expected and, if withheld, demanded. Valuable orders, paying dividends to investors and providing work for skilled and unskilled workers, can be lost for the want of a bribe. Even if both these parties disapprove of bribery they would have to consider the effects on themselves if their companies or employers adhered strictly to the highest principles.

Putting up with Pakistan

Kevy

While we look forward to the extended hand of friendship from Pakistan, we should not suffer ourselves to be baulked if that hand lapses in to a clenched fist.

THE AGREEMENT reached between India and Pakistan announcing the exchange of ambassadors and restoration of severed links deserves to be welcomed on the basis of the proverbial injunction “better late than never”. The Simla summit conference of July 1972 had bound both countries (who had “resolved to put an end to conflict and confrontation that have hitherto marred their relations and work for the promotion of friendly and harmonious relations” etc) to “bilateral negotiations or any other peaceful means mutually agreed upon between them”.

The Simla Pact was signed in the wake of a severe military defeat suffered by Pakistan. As such it is a pointer to India's generosity and mood of accommodation. Uniquely liberal was India's undertaking to withdraw from 5139sq. miles of captured Pakistan territory in exchange of 69 sq. miles of Indian territory in Pakistan's adverse possession. The Pakistan prime minister's letter of March 27 addressed to the Idian prime minister mentions a readiness “to go to the length of withdrawing Pakistan's case from ICAO”. It will be recalled that among the provocations offered by Pakistan in the days prior to the War of 1971 was the hijacking of an Indian Airlines plane and its ceremonial destruction at Lahore. The unabashed refusal of Pakistan to make amends for this crime led India to ban Pak overflights. Pakistan filed a complaint before the ICAO seeking to secure for itself the image of an injured innocent. Surely it should not have taken the Pakistan prime minister all these years to withdraw this silly complaint.

If the Pakistan prime minister has at long last seen virtue in withdrawing the complaint it is not all because of an ardent desire to live up to the Simla Pact. May be the disruption of trade and communication between the two countries punishes Pakistan more than it does India. The constraints of Pak economy must have driven Mr Bhutto along the course he is presently going.

Among the four Asian countries which showed a “significantly higher growth rate in 1975 over that in 1974” the Asan Development Bank mentions India. According to the Bank India's real growth in 1975 is 5.5 per cent as against the preceding years' two per cent. Pakistan's real growth has dipped to 2.6 per cent in 1975 from the previous year's 4.4 per cent. India's per capita GNP jumped from $130 in 1974 to $150 in 1975. The corresponding figures for Pakistan are $ 130 and $ 140. India's adverse balance of trade is $1704 million in 1975 against exports valued at $4,296 million as against Pakistan's $1,121 against exports valued at $1046 million. Pakistan's export in 1975 have declined by $57 million from that of the previous year. India exported $370 million more in 1975 than in 1974.

While India's internal reserves have been steadily increasing in the last three years touching $1,373 million in 1975, Pakistan's dropped from $480 million in 1973 to $383 million in 1975. It is therefore not a far-fetched conjecture if one assumes that the compulsions of the declining economy of his country have driven Mr Bhutto to trudge along the path of rapprochment with India.

It is also possible that the Shah of

3 powerful pesticides for effective crop protection.

SEVIN® CARBARYL INSECTICIDE:

SEVIN carbaryl is a truly versatile insecticide which protects over 100 various types of food and fibre crops from 180 different pests. Farmers the world over rely on it for exceptionally wide spectrum insect control. It can be used at all stages of growth and controls even those pests which are resistant to certain other insecticides. SEVIN insecticide is safer to handle and leaves no undesirable residues when used as directed even close to harvest time. Dust and wettable formulations of SEVIN insecticide are the first carbaryl formulations with the I.S.I. mark.

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ran who is a close friend and ally of Ir Bhutto played some part in peruading the latter to give up recalcirance. The Shah was quit censorious of our government's actions during the 1971 confrontation. Of late Iran has been improving its ties with India. Iran is one of those West Asian countries whose economy is expanding vastly from the sales of liquid gold. The Shah has brought Iran into a high state of discipline. Remember that in the Asian Games held at Teheran Iran's showing was second only to that of China. The Shah has grand designs to be the leader of the Persian Gulf area. But his plans of growth and and expansion rest on imported technology and technicians. Among the third world countries India is perhaps in the best position to supply Iran's wants. Not that the west is lacking in experts, but they are far too costly. So it seems Iran has a vested interest in peace between India and Pakistan. Other West Asian countries too may depend on Indian expertise for reasons similar to Iran's.

basis of reciprocity

India's foreign policy in the past used to be conducted with more of morality than is good for the struggling mundane nation that we are. Too many concessions allowed to hard-bargaining neighbours did not help us secure their goodwill on crucial occasions. Recently the government has voiced a resolution to put Indo-Nepalese relations on the basis of reciprocity. This is quite as it should be. Reciprocity is one of the major elements in foreign policy available to a government which should deal with His Imperial Majesty the Shah of Iran on the one hand and Chairman Mao Tse Tung on the other. What is good for these too should prove good for Mr Bhutto too.

The restoration of severed links is slated to be effected in the third week of July. In the meantime Mr Bhutto has paid a visit to China and bilateralism notwithstanding, he has—standing on Chinese territory—made a plea for the right of self determination of the Kashmiri people. Our Charge de Affaires has responded rightly by staging a walk out. The Chinese have queered the pitch for us by making a mention of the right of self-determination of the Kashmiris in the joint statement with Pakistan. All this calls for the strict application of the indispensable diplomatic weapon namely reciprocity which we are rediscovering. The one factor that our government should be constantly aware of is the hectic pace at which Pakistan has recently been rearming itself. While we look forward to the extended hand of friendship from Pakistan we shouldn't suffer ourselves to be baulked if that hand lapses into a clenched fist.

India and Pakistan: A Profile

		Unit	India	Pakistan
Rate of Real Economic Growth	1965-73	Percentage	3.8	5.4
	1973		3.1	7.3
	1974		2.0	4.4
	1975		5.5	2.6
Per Capita GNP	1973	Current $	120	120
	1974		130	130
	1975		150	140
Rice (Paddy) Production	1971	'000 metric tons	64,602	3,393
	1972		58,868	3,495
	1973		65,613	3,578
	1974		60,000	3,277
	1975		67,500	3,850
Rice (Paddy) Production	1974	Growth rate (percentage)	—8.6	—8.5
	1975		12.5	17.5
Balance of Trade	1973	$ million	—293	—20
	1974		—1,120	—619
	1975		—1,704	—1,121
	Average 1970-72		—92	—210
International Reserves	1970	$ million	1,006	190
	1973		1,142	480
	1974		1,325	461
	1975		1,373	383
Ratio of Reserves to Imports	1973	Months	4.3	6.5
	1974		3.2	3.7
	1975		2.7	2.1
Debt Outstanding	1972	$ million	11,484	4,662
	1973		12,365	4,904
	1974		12,904	5,367
Debt Service Payments	1972	$ million	641	124
	1973		633	193
	1974		678	181
Debt Service Ratio	1972	percentage	23.6	16.9
	1973		18.4	17.3
	1974		17.3	14.4

Central Bank

Balance Sheet as at

CAPITAL AND LIABILITIES

As at 31st December, 1974 Rupees				Rs. P.	Rs. P.
	1. **CAPITAL :-**				
4,75,14,600	Paid-up Capital (wholly owned by the Central Government)				4,75,14,600.00
	2. **RESERVE FUND AND OTHER RESERVES :-**				
9,75,86,080	Reserve Fund			11,03,88,579.54	
54,79,771	Contingency Fund			54,79,770.96	
3,63,700	Capital Suspense			3,63,700.00	
3,61,519	Share Premium Suspense			3,61,519.25	
10,37,91,070					11,65,93,569.75
	3. **DEPOSITS AND OTHER ACCOUNTS :-**				
	Fixed Deposits etc:-				
4,31,57,076	(i) From Banks	Rs. 7,31,88,500.00			
5,23,31,01,044	(ii) From Others	Rs. 609,60,28,554.48			
2,78,58,08,468	**Savings Bank Deposits**			6,16,92,17,054.48	
	Current & Contingency Accounts etc :-			3,17,79,94,055.35	
6,71,57,985	(i) From Banks	Rs. 8,94,03,335.87			
2,13,85,22,127	(ii) From Others	Rs. 236,87,28,683.36		2,45,81,32,019.23	
10,26,77,46,700					11,80,53,43,129.06
	4. **BORROWINGS FROM OTHER BANKS, AGENTS ETC:-**	**In India**	**Outside India**		
		Rs. P.	**Rs. P.**		
	(1) **Secured :-**				
30,90,15,000	(i) From :- Reserve Bank and State Bank of India against part investment and bills per contra.	60,81,25,000.00	—		
2,79,00,000	(ii) From :-Other Financial Institutions (under the participation scheme by part of Advances).	5,93,55,000.00	—		
	(2) **Unsecured :-** In respect of borrowings (By part of Advances per contra) from :-				
2,53,06,840	(i) The Industrial Development Bank of India.	6,57,23,626.00	—		
4,50,92,040	(ii) The Agricultural Refinance Corporation.	7,38,63,849.00	—		
5,05,85,414	(iii) Banks and other Financial Institutions.	1,35,36,604.89	1,94,69,877.51		
45,78,99,294		82,06,04,079.89	1,94,69,877.51		84,00,73,957.40
12,46,83,965	5. **BILLS PAYABLE**				12,42,47,582.61
	6. **BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :-**				
54,16,41,433	(i) Payable in India.			56,92,19,057.48	
10,73,14,790	(ii) Payable outside India			14,65,21,467.14	
64,89,56,223					71,57,40,524.62
	7. **OTHER LIABILITIES :-**				
15,19,05,147	Branch Adjustments			13,55,52,438.18	
2,10,81,990	Amount owing to Subsidiary Company (including on their Clients' Account)			2,00,22,076.54	
8,25,948	Unclaimed Dividends			8,23,613.28	
1,41,02,557	Rebate on Bills Discounted			1,13,58,587.55	
18,79,15,642					16,77,56,715.55
11,83,85,07,494	Carried Over				13,81,72,70,078.99

# of India

31st December, 1975

PROPERTY AND ASSETS

As at 31st December, 1974 Rupees				Rs. P.	Rs.
	1. CASH:—				
71,29,49,464	In hand and with Reserve Bank and State Bank (including foreign currency notes)				59,13,14,798
	2. BALANCES WITH OTHER BANKS :—				
	On Current Account:	Rs. P.			
1,41,34,724	(i) In India	6,36,05,405.13			
2,72,86,171	(ii) Outside India	1,86,84,215.72			
4,14,20,895				8,22,89,620.85	
	On Deposit Account:				
—	(i) In India	—			
4,24,65,104	(ii) Outside India.	7,25,200.00		7,25,200.00	8,30,14,820.
8,38,85,999					3,62,60,000.
94,00,000	3. MONEY AT CALL AND SHORT NOTICE				
	4. INVESTMENTS:— (at or below cost).				
3,06,14,30,902	(i) Securities of the Central and State Governments and Other Trustee Securities			3,38,16,26,168.49	
18,00,00,000	Treasury Bills of the Central and State Governments			14,00,00,000.00	
	(ii) Shares	Fully Paid	Partly Paid		
		Rs. P.	Rs. P.		
67,31,896	(a) Preference	56,35,020.76	1,09,375.00		
2,69,55,454	(b) Ordinary	1,77,22,122.07	88,09,545.65		
57,798	(c) Other Classes	67,798.75	—		
3,37,45,148		2,34,24,941.58	89,18,920.65	3,23,43,862.23	
7,29,20,375	(iii) Debentures or Bonds	.. ..	.. ..	11,23,73,997.75	
4,52,610	(iv) Other Investments	.. ..	.. ..	2,610.00	
—	(v) Gold	.. ..	.. ..	—	
3,34,85,49,035					3,66,63,46,638.
	5. ADVANCES:— (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
	(I) Loans, Cash Credits, Overdrafts, etc.:—				
	(i) In India				
5,43,55,38,568	(Including an amount of Rs. 31,89,42,475/- relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation, and other Financial Institutions as per contra)		Rs. P. 6,21,20,05,612.53		
1,27,37,470	(ii) Outside India		1,46,59,630.46		
5,44,82,76,038				6,22,66,65,242.99	
	(II) Bills Discounted and Purchased:—		Rs. P.		
1,03,18,49,972	(i) Payable in India		1,88,33,81,358.80		
23,94,06,626	(ii) Payable Outside India..		19,28,77,047.89	*2,07,62,58,406.69	
1,27,12,56,598	*Includes Rs. 5,14,00,000/- under Export Bill Credit Scheme of Reserve Bank of India Rs. 17,25,00,000/- under Pre-Shipment Credit Scheme of Reserve Bank of India and Rs. 37,50,00,000/- under Bill Market Scheme of Reserve Bank of India A/c Food Corporation of India, per contra.				
6,71,95,32,636					8,30,29,23,649
	PARTICULARS OF ADVANCES				
5,37,81,67,189	(i) Debts considered good in respect of which the bank is fully secured.			6,02,87,08,511.63	
41,17,21,596	(ii) Debts considered good for which the bank holds no other security than the debtors' personal security			35,37,34,893.74	
92,96,43,851	(iii) Debts considered good secured by the personal liabilities of one or more parties' in addition to the personal security of the debtors. ..			1,92,04,80,244.31	
—	(iv) Debts considered doubtful or bad not provided for			—	
6,71,95,32,636				8,30,29,23,649.68	
10,87,43,17,134	Carried Over				12,67,98,59,90

Central Bank

Balance Sheet as at

CAPITAL AND LIABILITIES

As at 31st December, 1974 Rupees			Rs. P.	Rs. P.
11,83,85,07,494	Brought Forward			13,81,72,70,078.99
48,59,01,926	8. **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA**			54,68,86,662.64
	9. **PROFIT AND LOSS :-**			
—	Balance as per last Balance Sheet		—	
3,26,60,179	Profit for the year		1,29,55,982.63	
3,26,60,179			1,29,55,982.63	
	Less :— Appropriations :			
82,00,000	Transferred to Reserve Fund	Rs. 90,00,000.00		
2,20,00,000	Provision for Bonus to Staff	Rs. —		
3,02,00,000			90,00,000.00	
24,60,179	Balance to be transferred to the Central Government			39,55,982.63

10. **CONTINGENT LIABILITIES :-**

(31-12-1974) **Rupees**		Rs. P.
64,95,155	(i) Claims against the Bank not acknowledged as debts.	61,50,561.74
1,01,84,943	(ii) On Investments in partly paid shares.	1,01,47,067.50
73,20,67,085	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of officers).	80,47,99,961.61
34,79,79,227	(iv) Liability on account of Outstanding Forward Exchange Contracts. ..	59,32,48,976.73
32,88,63,477	(v) Liability on Bills of Exchange Rediscounted.	38,21,26,373.09

Notes forming part of the Accounts :-

(1) Substantial progress has been made during the year in reconstructing the accounts of 33, Netaji Subhas Road, Calcutta branch as of 31st December, 1973 (which were incorporated into the accounts of that year on an estimated basis as most of the records were destroyed by fire). However, pending a final reconstruction, assumed figures to the extent they are not yet reconstructed are being continued and the net credit balance on such accounts aggregating to Rs. 61,49,871.29 (previous year Rs. 2,60,12,489.69) is being shown under Current and Contingency Accounts etc. — Others.

(2) The Bank has established a Gratuity Fund to be administered by a Trust which is awaiting recognition under the Income-Tax Act. Gratuity liability as on 31st December 1974 in respect of staff members entitled to gratuity arising out of the provisions of the payment of Gratuity Act 1972 and in respect of Officers arising out of the Gratuity Scheme of the Bank has been ascertained by acturial valuation at Rs. 8,67,25,000/-. Against this the Bank has paid to the Trustees of the Fund an aggregate sum of Rs. 5,81,50,000/-. Incremental liability for the year 1975 has not yet been ascertained.

(3) Certain old items in the Branch reconciliation remain to be cleared. The Balancing of General Ledgers with Subsidiary Ledgers/Schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.

(4) Returns received from some of the unaudited branches were incomplete.

(5) As returns in respect of Pakistan (including areas now comprised in Bangla Desh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1975. As no further information is available the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(6) Provision for an ex-gratia payment in lieu of bonus to staff. (treated as an allowable expenditure for Income-tax provision) considered adequate by the Board, has been made and transferred to Contingency Reserve. In the previous year the same was treated as an appropriation. As a result, the profit for the year is not comparable with that of the previous year. Disbursement to staff will be made after the sanction of the Central Government.

12,32,68,69,599	TOTAL RUPEES ..	14,36,81,12,724.26

Bombay, 22nd April, 1976.

In terms of our report of even date attached.
G.P. KAPADIA & CO.
RAY & RAY
THAKUR VAIDYANATH AIYAR & CO
Chartered Accountants

# of India

31st December, 1975

PROPERTY AND ASSETS

As at 31st December, 1974 Rupees		Rs. P.	Rs. P.
10,87,43,17,134	Brought Forward		12,67,98,59,907.58
1,93,12,794	(v) Debts due by Directors or Officers of the bank or any of them either severally or jointly with any other persons	2,29,35,296.14	
—	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members.	—	
1,93,12,794	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons...	2,29,35,296.14	
—	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members	—	
2,03,62,859	(ix) Due from Banks	82,95,221.18	
	6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA**:-		
54,16,41,433	(i) Payable in India	56,92,19,057.48	
10,73,14,790	(ii) Payable Outside India..	14,65,21,467.14	
64,89,56,223			71,57,40,524.62
48,59,01,926	7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**		54,68,86,662.64
	8. **LANDS AND BUILDINGS :—**		
3,25,70,193	Cost as per last Balance Sheet	3,26,57,674.41	
15,40,694	*Less* : Cost of property sold during the year	—	
3,10,29,499		3,26,57,674.41	
16,28,175	*Add* : Cost of Additions made during the vear	18,57,913.75	
3,26,57,674		3,45,15,588.16	
66,59,405	*Less* : Depreciation written off	72,56,344.31	
2,59,98,269			2,72,59,243.85
	9. **FURNITURE AND FIXTURES :—**		
9,72,87,217	As per last Balance Sheet	10,90,81,660.19	
1,17,94,443	*Add* : Additions less Sales made during the year	1,24,80,893.67	
10,90,81,660		12,15,62,553.86	
5,08,24,692	*Less* : Amount written off to date for depreciation	5,90,24,089.12	
5,82,56,968			6,25,38,464.74
	10. **OTHER ASSETS :—** ..		
10,00,000	Shares (Partly Paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at cost	10,00,000.00	
4,24,84,489	Interest accrued on Investments	4,89,71,724.00	
11,10,90,751	Income-tax paid in advance and tax deducted at source	18,30,80,460.71	
85,91,850	Share Application Moneys	2,70,42,000.00	
7,02,25,963	Sundry Advances, Deposits, Stamps, Stationery. Home Saving Safes, Safe Deposit Boxes, etc.	7,56,87,710.59	
23,33,93,053			33,57,81,895.3
46,026	11. **NON—BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS** (at book value)		46,025.5
12,32,68,69,599	TOTAL RUPEES :		14,36,81,12,724.

CHAIRMAN & MANAGING DIRECTOR

P.F. GUTTA
TARAKESWAR CHAKRABORTI
R.R. KUMAR
RAMSIYA KUNDER
T.S. PAPOLA
R. RATNAM
M.G. BALASUBRAMANIAN
} DIRECTORS

R.S. POCHKHANAWALA
General Manager

S.B. PARDIWALLA
Assistant General Manag

Bombay: 22nd April 1976

Central Bank

Statement of Profit and Loss Account For

EXPENDITURE

Previous Year Rupees			Rs. P.	Rs. P
55,09,02,111	1.	Interest paid on Deposits Borrowings, etc.		67,82,20,472.7
32,63,46,185	2.	Salaries and Allowances	41,84,23,610.93	
98,89,658		Contribution to Provident Fund	1,04,62,621.27	
33,62,35,843				42,88,86,232.2
1,45,553	3.	Directors' and Local Committee Members' Fees and Allowances		98,495.6
2,71,56,193	4.	Rent, Taxes, Insurance, Lighting etc.		3,02,88,531.3
6,42 948	5.	Law Charges		4,93,155.9
58,72,319	6.	Postage, Telegrams and Stamps		91,84,891.3
	7.	Auditors' Fees:		
3,03,600		To Statutory Auditors (including Branch Audit Fees)	3,13,000.00	
3,04,200		To Branch Auditors	4,46,249.38	
6,07,800				7,59,249.3
5,64,237	8.	Depreciation on Bank's Property	6,16,655.97	
2,73,963		Repairs to Bank's Property	3,08,928.53	
4,05,879		Other Charges on Bank's Property	61,118.06	
73,09,585		Depreciation on Furniture and Fixture	81,99,396.77	
85,53,664				91,86,099.33
1,11,59,389	9.	Stationery, Printing and Advertisements, etc.		1,36,85,862.81
—	10.	Loss from Sale of or dealing with Non-Banking Assets		—
2,96,99,723	11.	Other Expenditure		3,23,16,300.95
3,26,60,179	12.	Balance of Profit — See Note 6		1,29,55,982.63
1,00,36,35,722		TOTAL RUPEES ..		121,60,75,274.38

NOTES :—

1. Particulars of remuneration paid to the Chairman and Managing Director :—

Previous Year Rupees		Mr. D. V. Taneja (Including Leave Period) Rs. P.	Mr. P. F. Gutta (May-December '75) Rs. P.
55,041	(i) Salary	32,366.93	30,084.68
3,457	(ii) House Rent Allowance ..	9,683.32	—
4,587	(iii) Provident Fund Contribution	2,697.18	2,507.06
1,156	(iv) Medical Expenses Reimbursed	2,271.89	397.93
—	(v) Leave Fare Concession	6,745.00	—
—	(vi) Gratuity	47,250.00	—
*64,241		1,01,014.32	32,989.67

*Mr B. N. Adarkar Rs. 29,040.27 & Mr. D. V. Taneja Rs. 35,200.94

2. Advertisement expenditure during the year Rs. 22,41,265.30 (Previous Year Rs. 11,88,884.39).
3. Particulars of remuneration paid to employee Directors (other than Directors' Fees and Allowances) have not been separately disclosed as they have not drawn such remuneration in their capacity as Directors.

# of India

the Year Ended 31st December, 1975

INCOME

(Less provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)

Previous Year Rupees		Rs.	
88,59,35,051	1. Interest and Discount	107,61,64,463.4	
11,46,17,264	2. Commission, Exchange and Brokerage	13,59,93,731.4	
30,83,407	3. Rents	39,17,079.5	
—	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
—	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
—	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	—	
100,36,35,722	TOTAL RUPEES ..	121,60,75,274.38	

P. F. GUTTA Chairman & Managing Director

Directors:
TARAKESWAR CHAKRABORTI
R. R. KUMAR
RAMSIYA KUNDER
T. S. PAPOLA
R. RATNAM
M. G. BALASUBRAMANIAN

R. S. POCHKHANAWALA
General Manager

S. B. PARDIWALLA
Assistant General Manager

Bombay, 22nd April, 1976.

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1975 and also the attached Profit & Loss Accoun of the Bank for the year ended upon that date in which are incorporated the returns of 122 branches audited by us, 475 branches audited by other auditors, and the unaudited returns in respect of 700 branches. The branches to be audited by us and the branches to be audited by other auditors hav been selected by the Bank in accordance with the guidelines issued by the Reserve Bank of India. The returns of Pakistan and Bangladesh branches ar incorporated as per Note 5 of the notes forming part of the accounts.

2. The Balance Sheet and Profit & Loss Account have been drawn up in Forms 'A' and 'B' respectively of the third schedule of the Bankin Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of Banking Companies prior to nationalisatio by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosur and on the basis of the audit indicated in the first paragraph and subject to the issues stated in notes 2 to 4 to the Accounts we report that:

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :
  (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properl drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1975.
  (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the year covered by the Account.
(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.
(d) The returns received from the branches of the Bank have been found adequate for the purposes of our audit.

G. P. KAPADIA & CO.
Chartered Accountants

RAY & RAY
Chartered Accountants

THAKUR VAIDYANATH AIYAR & CO
Chartered Accountants

Bombay, 22nd April, 1976.

TRADE WINDS

Credit for Rural Sector

A FOUR-TIER arrangement to pump in money on a massive scale to meet the credit requirements of the rural areas has been finalised by the centre and is being discussed at a special meeting of chief ministers currently being held at Bangalore. All available institutions such as cooperatives, panchayats, banks and government machinery, where the other three are non-existent, are proposed to be pressed into operation. The centre is giving highest priority to the scheme and has directed the Reserve Bank to make available the necessary finances to the state governments and cooperatives.

Socio-Economic Urgency

Provision of consumption credit to rural poor has become a social and economic urgency. With the abolition of rural indebtedness under the 20-point economic programme the traditional sources of credit to farmers has dried up. The government had appointed Sivaraman Committee to make a special study on the dimensions of the problem and suggest measures. The Sivaraman committee, which submitted its report in April this year, confirmed that the people hardest hit in the rural areas as a result of drying up of credit sources following the abolition of indebtedness were those who do not own any land and those owning land up to 0.5 acre. Their credit requirements use being estimated at Rs 170 crores.

The present institutional arrangements will not be able to meet the credit needs of this section though they may be able to cater for the consumption credit requirements of the middle strata of farmers having 0.5 to 5 acres. Special arrangements were therefore, suggested while strengthening the cooperative and banking structure. The problems appears to be that these institutions are non-existent in some of the states. The commercial banks and the rural banks are proposed to be asked to widen their operations in the rural areas. Where none of these channels are available, the existing government machinery in the villages will be entrusted with the task.

Jute Output Regulation

Regulatory measures for production of jute goods have been enforced for two months ending July. These measures have been taken for conserving raw jute, specially that of superior grades, it was announced recently. The jute commissioner has introduced regulatory measures in the production of jute carpet backing and hessian for June and July. It has been further directed that during the period, production of jute sacking will be confined to sacking looms only and that hessian looms will not be used for the production of sacking.

Iron Ore for Japan

Japan has agreed to increase its purchases of iron-ore from India by 100 per cent over the next two years. Against an import of 2.4 million tonnes of basic and high grades ore in 1975-76, it will buy 4.8 million tonnes in 1977-78. In the current financial year, the purchases by Japanese steel mills will be 3.5 million tonnes. An agreement to this effect is understood to have been conducted by Mr C.R. Das, chairman of the Minerals and Metal Trading Corporation, during his recent discussion with Japanese steel mills in Tokyo. So far as exports of Bailadilla deposits are concerned, the Japanese have agreed to take about 6.2 million tonnes during the current

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Eastern Economist 30 Years Ago

JUNE 21, 1946

The task of bringing about total prohibition within two or three years therefore is not easy. It can be attempted only by stages as before. Inter provincial cooperation in drawing out the scheme of prohibition will not only help the object in view but also help to reduce the cost, particularly on supervisory staff in border districts. While the success of the scheme may not be in doubt on account of the popular support for it, the provincial governments should bear in mind the cost of delaying other measures of equally urgent economic rehabilitation. Again if prohibition is to be a success not only on the moral plane but also as an attempt at equitable distribution of taxes, the Provincial government should not resort to compensate the loss by further heavy regressive taxation. They should depend more upon public loans to finance ameliorative schemes and boldly evolve an expansive budget instead of straining to balance it in the orthodox manner. The central government should in consultation with the provinces now think of a long term policy of grants and loans in the place of the present ad-hoc scheme.

r compared with 4.9 lion tonnes in 1975-76.

Thus iron-ore exports by MTC to Japan during the rrent financial year are xpected to be of the order f about 10 million tonnes gainst 7.2 million tonnes uring 1975-76. A simi-ar increase from South Korea which will buy about 600,000 tonnes of iron-ore from MMTC this year. The increases obtained both from Japan and South Korea were expected to bring in additional foreign exchange to the tune of Rs 25 crores.

Indo-British Joint Commission

The Indo-British Joint commission held ministerial-level discussions regarding possibilities of Joint ventures in third countries and prospects of collaboration between public sector units of the two countries. Besides, long term arrangements for export of iron-ore, coal and other processed minerals from India were also discussed. Specifically production and marketing tie-ups between British Steel, on the one hand and Coal India and MMTC on the Indian side came up for talks. Possible areas of investment in India under the Foreign Exchange Regulation Act were outlined to the British authorities and various provisions of the act were explained.

Commerce minister, prof D.P. Chattopaddhyaya and Mr A. K. Ghosh additional secretary in the ministry of Industry and Civil Supplies led the official level discussions. The Commerce minister utilised the opportunity to disuss with British authorities further steps required for forming an international tea agreement.

International Summit in Puerto Rico

An international summit is planned in Puerto Rico on June 27 and 28. At the invitation of the President of the United States, the heads of states and governments of France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and Northern Ireland and the United States of America will meet. In addition, the President of the United States has invited Canada to participate. The participants will descuss problems of mutual interest including the progress of their economic recoveries and the current phase of their efforts to attain sustained economic expansion, financial and monetary matters, trade, energy and relations with developing nations.

BHEL Generators for New Zealand

The Bharat Heavy Electricals Limited (BHEL), Bhopal, has won a contract for the supply of eight 53 MW generators to New Zealand.. According to BHEL sources, the contract won against international competition and one of the biggest for supply of hydro-power station equipment, is worth about Rs 9 crores. The supply is to be made in the next 30 months.

Production and Demand for Copper

The gap between indigenous production and total demand for copper is expected to be only 45 per cent in 1976-77 as against 75 per cent during 1972-73. The estimated production of copper metal for the current year is about 36,000 tonnes. During 1975-76, 23.888 tonnes of blister copper was produced against a target of 23,000 tonnes. According to the estimates of DGTD, the demand for copper for the current year is expected to be 50,000 tonnes. The demand is expected to exceed 100,000 tonnes per annum during the sixth Plan period.

For bridging the gap between the demand and indigenous production of copper metal, Hindustan Copper Ltd. has formulated two major schemes. These are Malanjkhand Copper Project in Madhya Pradesh for production of copper concentrates equivalent to 23,000 tonnes of metal per year and Rakha Copper Project, phase II, for production of copper concentrates equivalent to 20,000 tonnes of metal per year.

Hindustan Copper has also taken up schemes for

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For details please contact :

RAJASTHAN FINANCIAL CORPORATION
C-18, Bhagwandas Road, JAIPUR-302001
P.B.X. Telephones : 62084, 62085, 62086, 62087
Telex : 036-377

BRANCHES

Ajmer, Alwar, Banswara, Jodhpur,
Kota, Sri Ganganagar & Udaipur

expansion of existing mine capacity at Mosaboni and Surda mines in Bihar, and at Chandmari in Rajasthan. An outlay of Rs 127.23 crores has been made in the draft fifth Plan for Hindustan Copper Ltd. Of this Rs45.29 crores will be for existting schemes and the balance for new schemes. For 1976-77, an outlay of Rs 14.35 crores has been provided for Hindustan Copper.

Aluminium Output

Aluminiun production increased by 50.9 per cent in May this year compared to the production in May, 1975. A total of 18,033 tonnes of Aluminiun was produced in May, 1976 compare to 11,947 tonnes last year. There was an increase of 71 per cent in the production EC grade Aluminiun during this period. Production of Aluminiun in the first two months of 1976-77 comes to 35,552 tonnes as against 23,944 tonnes during April-May 1975-76, an increase of 48.4 per cent. Production of EC grade Aluminium shows an increase of 79 per cent during these two months compared to last year's production.

Power Generation

Twenty-point economic programme has given a new thrust to the growth of power industry in the country. The new climate of discipline, better industrial relations and higher productivity has resulted in a marked improvement in the power situation since July 1975. The total monthly power generation which stood at 5825 million units in June 1975 rose to 7667 million units in March 1976 thus showing an increase of 20 per cent over the same period a year earlier. The daily generation of 261 million units on March 12, 1976 was an all-time record of daily generation.

During the first 9 months of the new economic programme about 1785 MW was added to the country's power generation capacity which was a record. This represented an increase of about nine per cent in the generating capacity. From April to June 1975, the addition to the power generation capacity was only 10 MW. Thus the total addition to power generating capacity in 1975-76 was of the order of 1800 MW. Similarly, taking 1975-76 as a whole there was an increase of 13 per cent in power generation compared to 1974-75.

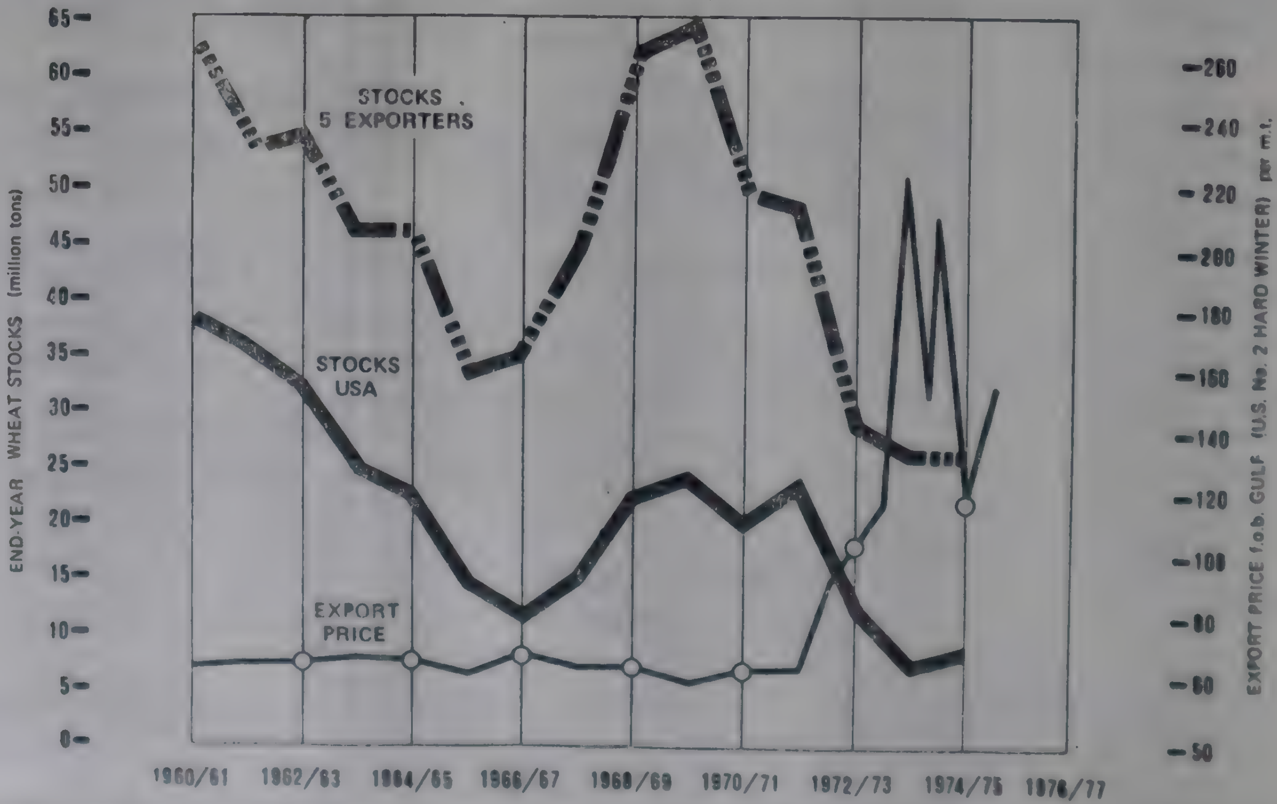
Power generation from hydro sources increased by nearly 20 per cent, following satisfactory monsoon and the thermal generation increased by about nine per cent.

During 1975-76 the northern region registered a significant increase of 25 per cent while the western region could claim only a six per cent increase. Other regions were close to t national average of per cent. Some of t thermal stations like Ha duaganj 'B' and ' had been revamped wit speed. The thermal statio at Bhatinda and Faridaba were not exercised full because of high hydel ene gy availability from Bhakra

In the western regio where the overall increas was six per cent, Madhy Pradesh increased the gene ration by 16 per cent. Th performance of therma stations in Madhya Prades was the best in the country Only marginal increase i generation was possible i Gujarat due to drought i the earlier part of the year

World Foodgrain Stocks

Over the last few years stocks with five foodgrain exporting countries (United States, Canada, Argentina, Australia and European Economic Community) have tended to fluctuate around 60 million tonnes and 25 million tonnes so that a pronounced decline was visible in 1965-66 when the stocks touched a low of nearly 33 million tonnes. The position improved in 1969-70 with stocks again raising to over 65 million tonnes. The latest year for which figures are available, (1974-75). The stocks have again been low at around 25 million tonnes. Stocks with the United States have also moved almost in a similar fashion declining to 10 million tonnes in 1966-67 from nearly 38 million tonnes in 1960-61. In 1974-75 the stocks had come down to a little more than five million tonnes. Export price of foodgrains have responded to shortages after 1970-71. There was a sharp increase in 1971-72, but a peak was touched in 1973-74.



disruption of supply to cyclone in Kutch later. The southern on could claim an 11 cent increase in genera- mainly due to increase ydro energy. The enire rease in the thermal eration of Tamil Nadu s contributed by Neyveli. espite the increase of 15 r cent in generation, arnataka had to impose a ower cut from November 1975.

There was 12 per cent ncrease in power generation n the eastern region. The main increase in the region was in Orissa which exported power to the extent of 691 million units to Bihar and Andhra Pradesh. Import of power from Orissa and DVC enabled Bihar to meet its loads, without being called upon to maximise its own generation. The increase in West Bengal (excluding DVC) was only four per cent. DVC's demand was well below their capacity and they continued to assist West Bengal and Bihar.

The north eastern region registered a 12 per cent increase in generation.

Bombay High Operations

The offshore operations of the Oil and Natural Gas Commission including production of oil from the Bombay High, suspended recently when an extraordinarily violent pre-monsoon tornado hit the western coast, are expected to be resumed shortly. Exploration and production activities in the Bombay High, Bassein and the Deeper Continental Shelf areas had to be stopped on June 2 when high velocity winds and unusually high waves made operations impossible. There were, however, only minor losses which occurred due to intense tossing of the servicing boats. ONGC technicians working on the ships stayed on board.

Small Savings

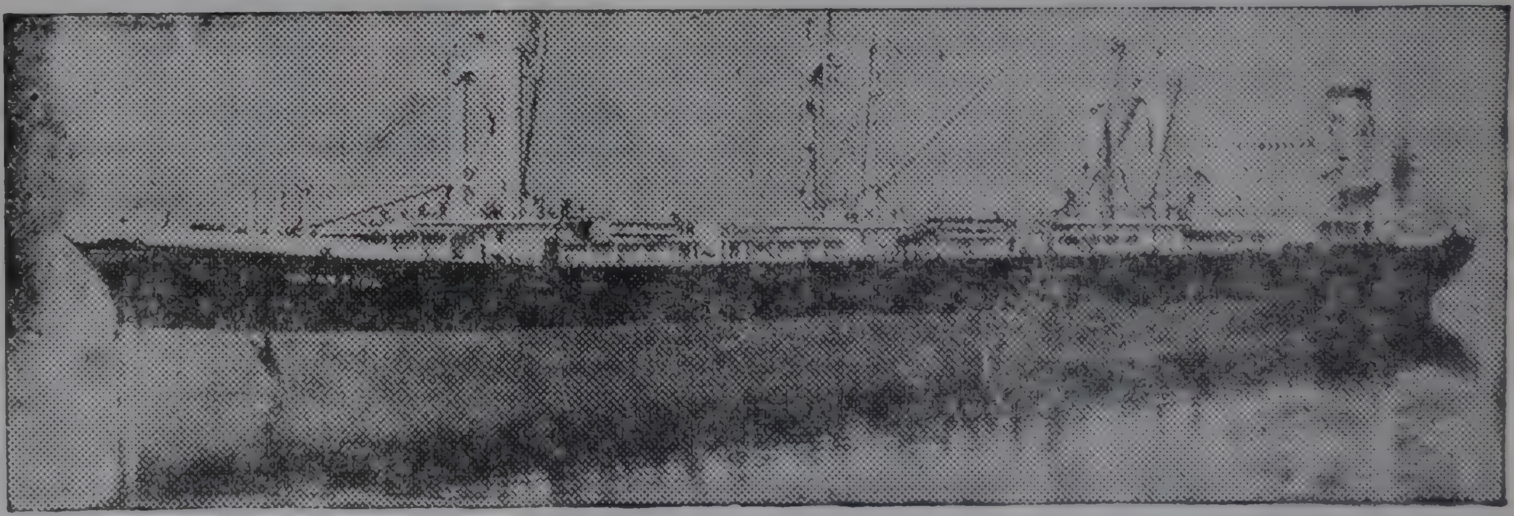
The small savings collections during the last fiscal year exceeded the target by over 15 per cent. The net collections in 1975-76 amounted to nearly Rs 403 crores as against the revised target of Rs 350 crores. Out of these, the personal savings aggregated to Rs 240 crores representing an increase of 15 per cent over the annual target of Rs 210 crores. In 1969-70, the net personal savings amounted to only Rs 90.52 crores which increased to Rs 240 crores last year. In 1974-75, the personal savings had totalled to Rs 216.41 crores.

The small savings movement has scored good achievements under the extension agencies. The authorised agents established a new record last year by collecting Rs 154.46 crores as against Rs 121 crores in the previous year and Rs 30.22 crores in 1969-74. The objective of the National Savinges organisation was to have 20,000 active agents and to reach the collection of Rs 150 crores through agents by 1976-77. The target for collection has already been achieved and the target for active agents is likely to be reached this year.

The savings activity among the salary and wage-earners all over the country received considerable support and has resulted in enrolment of nearly 981,000 of new savers in 8,286 new payroll savings groups in 1975-76. The total number of such groups now stands at 55,412 with a membership of 4.75 million. The collections during the year were Rs 46.72 crores as against Rs 40 crores in the preceding year.

Recycling of Petro-Dollars

The OPEC countries offer India tremendous opportunities for starting joint ventures in pertochemicals and related areas, according to a study on petrodollars by the Economic and Scientific Research Foundation. The study points out that India can



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hope for only limited access to petro aid programmes started by OPEC. Consequently, it can only attract funds by presenting economically and financially viable project proposals. The study advocates establishment of a new international agency to attract and recycle petrodollars from the OPEC nations. The study says that such an agency, under the control of central monetary authorities of major countries, is necessary to deploy oil surpluses in such a manner as to serve the interests of borrowers and lenders and preserve the financial stability in world markets. The new agency would steer the investment of surplus petrodollars not only into bonds and other capital market instruments, but would also act as investment fund for cooperative ventures in poor countries.

Rubber Transportation by Sea

A new method of shipping natural rubber is being adopted by Goodyear. Utilising a special packaging known as shrink wrapped rubber and the latest in ocean cargo transportation, the rubber is being delivered without intermediate cargo handling. Shrink wrapped rubber consists of a specially stretched polythene film shroud with a 'memory' which shrinks back to its original shape. The shrink wrapping forms a tight cocoon around rubber bales on pallet bases when heated in specially constructed ovens. Recently, nearly 350 tons of shrink wrapped Standard Malaysian Rubber was loaded into a LASH (lighter aboard ship) type barge at Port Klang, Malaysia. The barge was then loaded into one of the world's largest cargo liners—the "Green Island" for the ocean crossing. Ultimately, it would be towed by tugboats up the Mississippi river to its final destination, the Goodyear factory.

Foodgrains Stocks

A massive stock of 17 to 18 million tonnes of foodgrains, a record since independence is expected to be built up by government agencies. Bumper harvests this year have enabled these agencies to procure nearly 5.7 million tonnes of wheat and rice each by now. Before the year ends, the rice figure is expected to touch six million tonnes and wheat 6.5 million tonnes mark.

This record procurement operation, of both kharif and rabi, has some significant advantages. It has pumped crores of rupees into rural economy and provided temporary employment to lakhs of people.

Exchange of Defective Notes

The Reserve Bank has authorised all branches of public sector banks to afford free facilities to their customers as well as other persons for exchange of soiled currency notes and slightly mutilated notes (provided the mutilations are of a minor nature, the notes can be identified as genuine and there is no suspicion of fraud), and mutilated notes composed of two half notes. The Reserve Bank has also authorised the offices of Posts and Telegraphs department and the Railways to accept the first two types of notes (soiled notes and slightly mutilated notes) from the public in payment of dues. Notes which do not satisfy the stipulated requirements, that is note which are more than slightly mutilated, require to be tendered at, or sent by insured post to, the nearest Issue Office of the Reserve Bank of India.

Public Relations Meet

The National Council of the Public Relations Society of India has decided to hold the sixth All India Public Relations Conference in Cochin in 1978. This was disclosed recently by Mr G.P.C. Nayar, Chairman of the Kerala Chapter of Public Relations Society of India. He pointed out t
this was a great honour
the state and to the
practitioners of this regi
particularly because this
the first time an all Inc
Public Relations Conferen
is held outside the metr
politan cities.

Cotton Textile Export

According to the Indi
Cotton Mills Federatio
exports of cotton textiles
the month of March 19
amounted to Rs 78.36 cror
and the total exports durin
the financial year April-19
to March 1976 have amou
ted to Rs 376.67 crores.
expected earlier, the cotto
textiles exports during t
year 1975-76 have reache
a record level of Rs 376.6
crores as against Rs 300.8
crores in 1974-75 an
Rs 278.10 crores in 1973-7
Given below are details
itemwise exports durin
March 1976 as also durin
April-1975—March 1976:

Export of Indian Textiles

(Rs in crores)

	March 1976	April 1975/ March 1976
Cotton Piecegoods	33.86	134.55
Cotton Yarn	2.24	6.65
Cotton Sewing Thread	0.18	1.63
Made-ups	7.70	40.08
Hosiery	1.52	8.70
Readymade garments (Millmade)	10.33	66.88
Readymade garments (Handloom)	22.35	116.97
Other Cotton Manufactures	0.18	1.21
	78.36	376.67

COMPANY AFFAIRS

Gold Mohur Mills

THE DIRECTORS of Gold Mohur Mills Ltd have recommended a dividend of Rs 10 per equity share of Rs 100, subject to deduction of tax. According to the government restrictions on payment of dividends, out of a total of Rs 10, the first instalment of Rs 5.93 will be paid immediately and Rs 2.04 on July 5, 1976 and Rs 2.03 on July 5, 1977 with interest at eight per cent per annum.

In the difficult economic situation prevailing in the country, there was an increase in the cost of production due to an all around rise in the cost of raw materials, fuels, stores, spare parts, dyes and electricity. The continuation of statutory manufacture of controlled cloth was another hinderance to the good performance of the company. In spite of all these setbacks the company showed a net profit of Rs 20.31 lakhs in 1975 as against Rs 22.42 lakhs in the previous year. After making adjustments for taxation and other provisions, the directors appropriated Rs 12 lakhs for dividends and a sum of Rs 1.69 lakhs was carried forward. There was no provision for general reserve this year.

The company during the year 1975 paid the final instalment of Deutsche Mark Loan of DM 2,86,612 borrowed in 1964. The rupee equivalent of the outstanding balance of the convertible US Dollar Loan borrowed in 1969 from the Industrial Credit & Investment Corp. of India, was also written up during the year. The company earned foreign exchange equivalent of Rs 325 crores for the period ended March 31, 1976.

Goodyear

Goodyear India has registered continued growth in terms of sales and profits for the operating year ended December 1975. Sales increased by 20.7 per cent from Rs 53.86 crores in 1974 to Rs 65.04 crores in 1975. Although the production registered a small 3.5 per cent increase in terms of tonnage, a large part of the car tyre capacity remained unutilized due to decline in demand for car tyres. The demand for truck tyres also declined significantly. However, the company was able to achieve a higher production tonnage by changing the product mix.

Profits for the year were Rs 3.66 crores after providing for development rebate reserve Rs 180,000, taxation Rs 2.13 crores and dividend Rs 64 lakhs, the available profit of Rs 86.68 lakhs for the current year was appropriated to general reserve. The directors of the company recommened for the year 1975 a dividend of Rs 1.20 per equity share.

Rise in Capital

The directors of the company propose to raise the authorised capital from Rs 5.40 crores to Rs 10 crores and to increase the issued and paid up capital from Rs 5,34,48,900 to Rs 7,48,28,460 through issue of bonus shares to the existing shareholders in the ratio of two bonus shares for every five existing and subscribed equity shares by capitalising Rs 2.13 crores being the aggregate of Rs 17 lakhs standing to the credit of share premium account and Rs 1.96 crores being part of the general reserve of the company.

ICICI

The net profit of the Industrial Credit and Investment Corporation of India increased to Rs 2.89 crores as against Rs 2.44 crores in the previous year. The directors have recommended a dividend of 11 per cent, subject to tax for the year ended December 31, 1975.

During 1975 corporation received 433 applications for financial assistance of Rs 108.55 crores and in addition 116 application for Rs 35.18 crores were under examination, at the beginning of the year. There was a spurt in demand for assistance in rupees in the form of loans and guarantees this year. Rupee loans amounting to Rs 22.36 crores were sanctioned to 55 projects in 1975 compared with Rs 19.87 crores to 44 projects in 1974. The corporation sanctioned underwriting assistance to the tune of Rs 5.64 crores for 56 new issues.

Disbursements during the

New Registrations

In southern region (comprising the states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and the union territory of Pondicherry) there has been an increase in the number of companies registered during the quarter under review. During the same period, 177 companies have been registered (21 public companies and 155 private Companies) as against 176 companies (25 public companies and 15 private companies) during the previous quarter. The total authorised capital of these newly registered companies was Rs 3305.40 lakhs, as compared with the previous quarter's figure of Rs 4716.77 lakhs. Out of these new registrations. 14 companies are big sized companies, each having an authorised capital of Rs 50 lakhs and above.

Four companies with an aggregate paid up capital of Rs 3.57 lakhs went into liquidation during the quarter under review. Two companies have been struck off under section 560 of the Act with a paid up capital of Rs 5 49 lakhs and one company was finally dissolved.

During this quarter, one company was transferred from Pondicherry to Tamil Nadu.

year amounted to Rs 54.58 crores which included disbursement to the equivalent of Rs 37.10 crores in foreign currencies.

In the field of foreign currency reserves the corporation continued to receive active support from foreign financial agencies. In the year 1975, the corporation received a new line of credit of US $100 million from the International Bank of Reconstruction and Development (IBRD). Kreditanstalt fur Wiederaufbau (KfW) sanctioned a credit of DM 7 million, and also allocated a further DM 10 million credit for the year 1975-76. The government of the UK made a loan of £2.5 million in September 1975. The corporation is further seeking fresh avenues for foreign exchange loans from other sources and in this connection negotiations with the government of Kuwait are in an advanced stage.

Total Disbursements

Since the inception of the corporation in January 1955 to December 1975, total sanctions of the corporation amounted to Rs 674.18 crores to be disbursed among 1011 enterprises for setting up 1802 projects. By end December total disbursements were of the order of Rs 487.14 crores leaving an outstanding of Rs 270.91 crores.

By the end 1975 the corporation has made repayments of foreign currency loans amounting to Rs 157.95 crores as follows: IBRD $145.99 million (Rs 142.06 crores): USAID $4.36 million (Rs 3.92 crores); DM 34.79 million (Rs 11.97 crores).

Sandvik Asia

A significant growth in sales of its products was registered by Sandvik Asia in the year ended December 31, 1975. The total sales for the year 1975 were of the order of Rs 14.27 crores as against Rs 11.32 crores in 1974. The directors o the company have recommended an equity dividen of Rs 22 per equity shar of Rs 100 each subject t deduction of tax. The divi

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during the accounting year relevant to the Assessment Year 1976-77

(a) your salary income (exclusive of all benefits or amenities not provided for in cash) did not exceed Rs. 18,000.

(b) you were not an Employee—Director or an employee being beneficial owner of ordinary shares of the company carrying 20% or more of its voting power;

(c) you did not derive any income from agriculture, house property, capital gains, business or Profession.

(d) your income from dividends, interest etc. exempt u/s 80 L did not exceed Rs. 3000; and

e) tax deductable at source on "salaries" has been fully deducted.

YOU NEED NOT VISIT THE INCOME-TAX OFFICE FOR YOUR ASSESSMENT, IF YOU

(a) CHOOSE the latest appropriate Return Form.

Form No. 2A is for government employees who do not derive any income from house property, capital gains, agriculture and business or profession.

Form No. 3 is for all other salaried employees who do not derive income from business or profession.

(b) FILL in all the columns in the Return correctly and completely.

(c) ATTACH to the return
(i) Certificate of deduction of tax at source.
(ii) Dividend Warrants
(iii) Self-assessment tax receipt
(iv) Compulsory Deposit receipt
(v) Any other supporting evidence for the income declared, deductions claimed and advance tax paid.

REMEMBER : LAST DATE FOR FILING THE RETURN IS JUNE 30 BUT WHY WAIT TILL THE LAST DATE.

FAILURE TO FILE THE RETURN IN TIME ENTAILS PENAL CONSEQUENCES.

Issued by :

Director of Inspection
(Publications & Public Relations)
INCOME TAX DEPARTMENT
Mayur Bhavan, New Delhi.

davp 76/134

will be paid according e regulations in force. directore of the com- have recommended alisation of Rs 44 lakhs of its reserve to issue 00 equity shares of 100 each as bonus shares the shareholders of the npany, in proportion of bonus share for every ee equity shares held.

During the year 1975, in e highly competive western arket, the company was ble to sell its products orth Rs 57.88 lakhs. The ompany has also obtained n industrial licence for ubstantial expansion and nodernisation of its plant and machinery. The ICICI has agreed to grant the company foreign exchange loan to the equivalent of US$ 1.77 million for the expansion programme. The company has approached the government for the expansion of its collaboration agreement with Sandvik AB, Sweden.

Bombay Paints

Bombay Paints & Allied Products Ltd has presented satisfactory results for the year 1975.

The turnover during the year has been higher at Rs 4.01 crores as against Rs 3.67 crores in 1974. Net profit has, however, been lower at Rs 15.28 lakhs (Rs 16.86 lakhs). The company has announced a gross equity dividend of Rs 1.20 per share, same as in the previous year. This dividend absorbing Rs 1.79 lakhs will be paid from general reserve No 2.

The directors have allocated for depreciation Rs 2.36 lakhs (Rs 2.50 lakhs), development rebate reserve nil, (Rs 6,000), taxation Rs 8.50 lakhs (Rs 10.24 lakhs), special reserve Rs 18.000 (Rs 68.000) and general reserve No 2 Rs 6.60 lakhs (Rs 6.04 lakhs).

The directors state in their report to the shareholders that unsteady market conditions remained until first quarter of the year 1976 snbsequent to which the market of raw materials and finished goods has more or less reched the stable conditions. If the steady price conditions of raw materials and easy availability prevailing in the market coupled with the demand for finished goods in the similar manner as has been experienced by in the first five months' working of the company during the year 1976 continues, the directors are hopeful of showing much better results for the year 1976.

Hindustan Antibiotics

The Streptomycin plant of Hindustan Antibiotics Ltd. worked to its full capacity producing 14.2 tonnes of the antibiotic in the month of April-May 1976, representing an increase of 46 per cent over the corresponding period last year. The output of injectible vials was 104 lakhs, an increase of 47 per cent as against for the same period last year.

The company's export during 1975 were lower at Rs 13.01 lakhs as against Rs 13.85 lakhs in the previous year.

News and Notes

Asian Cables Corporation is diluting foriegn particitation in its equity capital. It has obtained the approval of the Reserve Bank of India for the disposal of 15,665 equity shares held by Phelphs Dodge Enfield Corporation of the USA. These shares will be offered to the existing resident shareholders of the company in the ratio of one equity share for every 10 held. The price will be Rs 80 per share of Rs 100 or the market value of the share on the day of the issue; whichever is lower. The register of the company will remain closed from June 29 to July 7, both days inclusive.

Shree Digvijaya Cement, one of the major exporters of cement, more than doubled its exports to 1.37 lakhs tonnes in 1975 from 0.59 lakhs tonnes in 1974. Its exports of asbestos products have also increased raising its aggregate export earnings to Rs 4 crores for the year 1975.

Lufthansa, German airlines, earned a profit of DM 69 million in the year 1975, a seven percent increase in the net profits compared with the year 1974. There was also an increase in gross turnover by 12 per cent. The airlines carried more than one million passenger during the year 1975.

The board of directors of **Indian Hotels Co. Ltd** propose to issue of two bonus shares for every five equity shares held by capitalising Rs 72 lakhs from its general reserves to the shareholders. The company has also increased the dividend from Rs 1.80 to Rs 2.0 per equity share for the year ended March 31, 1976.

New Issues

National Machinery Manufacturers will be entering the capital market on July 7, with an issue of 800,000 (11 percent) cumulative redeemable preference shares of Rs 100 each, totalling Rs 80 lakhs. The subscription list will close on July 17 or earlier but not before July 8. The entire issue has been underwritten. The object of the present issue is to finance the modernisation of its plants at Kalwe and Baroda. The company proposes to spend Rs 205 lakhs on the second phase of the modernisation for its Kalwe works during the five year period 1976-80. Besides it also proposes to spend Rs 60 lakhs for its Baroda plant.

Asian Paints

Asian Paints (India) Ltd won the ICMA award for outstanding export performance in 1975. It exported more than 14 per cent of its total production in the year 1974-75 against a minimum of five per cent. Value-wise companies exports rose from Rs 40 lakhs in 1973-74 to Rs 1.4 crores in 1974-75.

The company currently engaged in the manufacture of textile machinery. has in hand a letter of intent for the manufacture of 180 open end spinning machines per annum.

During the last three years the company has exported textile machines to South Korea, Taiwan, Philippines, Indonesia and Kenya. The Fob value of exports of the company in the year 1975 were of the order of Rs 333 lakhs against Rs 262 lakhs in the previous year. As on December 31, 1975, the company has orders worth Rs 62.12 crores in hand.

Capital and Bonus Issues

Consent has been granted to four companies to raise capital of over Rs 96.31 million. The details are as follows:

Damodar Bulk Carriers Limited, Bombay a public limited company registered in the state of Maharashtra and having paid up equity capital of Rs 1,80,01, 200 has been granted coneent for the issue of equity shares worth Rs 94,98,800 to the general public, for cash at par.

Brooke Bond India Limited, Calcutta, a public limited company registered in the state of West Bengal and having a paid up equity capital of Rs 67 million has been granted consent for issue of bouns shares with Rs 46.9 million in the ratio of 7:10 and further issue of 2,856,150 equity shares of Rs 10 each at a premium of Rs 3 per share.

Mukand Iron and Steel Works Limited, Bombay, has been accoreded consent, valid for three months, to capitalise Rs 1,69,11,870 out of its general reserve/share premium account and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Kerala State Electronics Dev. Corporation Ltd Trivandrum, has been accorded consent vaild for 12 months for the issue of debenture bonds of Rs 10 million with
an option to retain addi
onal subscription to t
extent of 10 per cent of t
notified amount of Rs
million in the event of ov
subscription. The procce
of the issue will be utilise
for the development of elec
tronics industry in the stat
of Kerala.

Dividend

Name of the company	Year	Dividennd declared fo	
		Current year	Last yea
Higher Dividend			
Bhartia Electric	Dec. 1975	10	8
Same Dividend			
Mico Farm	Dec. 1975	12	12
Bombay Paints	Dec. 1975	12	12
Wimco	Dec. 1975	15	15
Lower Dividend			
Shaw Wallace	Dec. 1975	15	20
Swan Mills	Dec. 1975	2	5
Alkali & Chemicals	Sept. 1975	Nil	16.66

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RECORDS AND STATISTICS

India's cattle wealth

NDIAS HAS the largest number of cattle and buffaloes, with one-sixth of the cattle and about half of the buffalo population f the world. Tables below give the variation in the cattle and buffalo population from 1951 to 1972 and projections upto he year 2000. Information on the exotic breeds of cattle in India and the contribution of buffaloes to world milk production are also given. (See also leading article, Milk for Millions, on page 1323).

TABLE I

Cattle and Buffalo Population —1951 to 1972 and Projections upto the year 2000 (million)

	Population according to livestock censuses					Projections		
	1951	1956	1961	1966	1972	1980	1985	2000
Cattle Males								
Breeding	0.65	0.44	0.36	0.43	0.42	0.41	0.40	0.28
Working	58.47	62.48	70.67	71.43	72.76	74.32	74.32	72.76
Others	2.68	1.96	1.50	1.47	1.44	1.39	1.25	0.34
Females								
Breeding	46.37	47.26	51.50	51.77	53.72	55.40	55.40	51.25
Working	2.31	1.83	2.15	1.98	2.10	2.10	1.89	0.47
Others	1.19	0.81	1.05	0.93	0.95	0.88	0.79	0.20
Youngstock	43.58	43.31	48.82	48.08	47.47	46.52	45.94	42.49
Total	155.24	158.67	175.56	176.18	178.86	181.02	179.99	167.79
Buffaloes Males								
Breeding	0.31	0.33	0.29	0.33	0.25	0.22	0.20	0.14
Working	6.03	5.95	7.14	7.59	7.64	8.05	8.05	6.84
Others	0.47	0.22	0.25	0.27	0.23	0.22	0.20	0.05
Females								
Breeding	21.00	21.69	24.24	25.51	28.91	33.07	33.07	30.59
Working	0.55	0.42	0.49	0.39	0.38	0.32	0.29	0.07
Others	0.30	0.25	0.30	0.24	0.26	0.23	0.21	0.05
Youngstock	14.75	16.09	18.50	18.59	20.27	21.70	21.70	19.07
Total	43.40	44.82	51.21	52.96	57.94	63.81	63.72	56.81

TABLE II

Working Animals, Total Cropped Area and Number of Operational Households

Year	Working bullocks (000)	Working cows (000)	Working buffaloes (000)	Working she-buffaloes (000)	Total working animals (000)	Total gross cropped area (000ha)	Area per pair of bullocks (ha)	No. of operational holdings
1	2	3	4	5	6	7	8	9
1951	58,475	2,315	6,028	550	67,366	131,898	3.91	
1961	68,704	2,150	6,645	487	77,985	152,716	3.91	49,874
1972	70,656	2,101	6,999	381	80,137	167,412*	4.16	NA

Source : (i) Columns 2–6: Livestock Censuses 1956, 1961, 1966 and 1972 (ii) Indian Agriculture in Brief—Thirteenth Editio March 1974. *(1970–71)

TABLE III

Location, Breed and Size of Exotic Herds

State	Location	Breed	Herd-size
Andhra Pradesh	Mannoor	J	50
	A.P.D.C., (Hyderabad)	J	13
	I.D.C., (Hyderabad)	F	12
Assam	Barpeta	J[1]	150
	Khanapara	J	50
Bihar	Patna	HF	25
	Hotwar	J	25
	Gaurikarma	J	50
	B.S.D.C., (Patna)	J	15
Gujarat	Anand	J	80
	Bidaj	J	60
Haryana	Hissar	J	75
		HF[1]	150
	Bhivani	J	25
Himachal Pradesh	Palampur	J[2]	250
	Bhagthan	J	10
	Kothipura	J	15
	Kamand	J	60
Jammu & Kashmir	Belicharna	J	10
	Cheshmashahi	J	50
Karnataka	Hessarghatta	HF	50
		RD[3]	150
	Munirabad	RD[3]	30
	Kudigi	J[3]	30
	Dharwar	J[3]	30
Kerala	Mattupatti	BS[4]	50
		BSX	250
	Peermedu	J	50
Madhya Pradesh	Bilaspur	J	25
Maharashtra	Tathewade	J	75
	Baif	J	100
	Urli Kanchan	HF	150
Manipur	—	—	—
Meghalaya	Shillong	J[3]	50
		HF	50
Nagaland	—	—	—
Orissa	—	—	—
Punjab	Patiala	BS[4]	125
	Nabha	BSS	
	Mattewara	HF	125
	Rupar	J	50
	P.D.C.C.	J	14
	Bhatian	HF	16

TABLE IV

World Distribution of Buffaloes and their Contribution Milk Production

(Thousand ton

Name of the country	Number of buffaloes (thousand)	Milk production		
		Cows	Buffalo	Percen age of b falo m to total m product
India	54,500	9,550	11,240	54
China	29,400	(3,200 Total)		—
Pakistan	12,100	6,100	6,800	52
Thailand	6,950	3	4	57
Philippines	4,500	17	118	51
Nepal	3,480	190	370	56.
Indonesia	2,700	35	—	—
Egypt	2,100	570	990	63.
Turkey	1,117	2,650	290	9.
Burma	1,600	321	29	8.
Laos	940	29	—	—
Khamer Republic	910	17	—	—
Ceylon	720	128	38	22.
Vietnam	565	—	—	—
USSR	460	82,100	—	—
Bangla Desh	387	—	—	—
Iraq	290	216	24	10.
Iran	280	925	48	4.
Malaysia (Western)	223	24	7	22.
Taiwan	200	15	—	—
Portuguese Timor	124	—	—	—
Brazil	120	770	—	—
Malaysia (Sabah)	78	—	—	—
Rumania	75	3,500	360	0.
Italy	55	10,397	36	0.
Bulgaria	74	1,210	28	2
Yugoslavia	54	2,620	10	0.
Afghanistan	35	311	4	1.
Greece	18	560	7	1.
Brunei	18	—	—	—
Malaysia (Sarawak)	8	—	—	—
Trinidad and Tobago	7	23	—	—
Albania	4			
Singapore	3			
Syrian Arab Republic	2			
Hong Kong	1			
Hungary	1			

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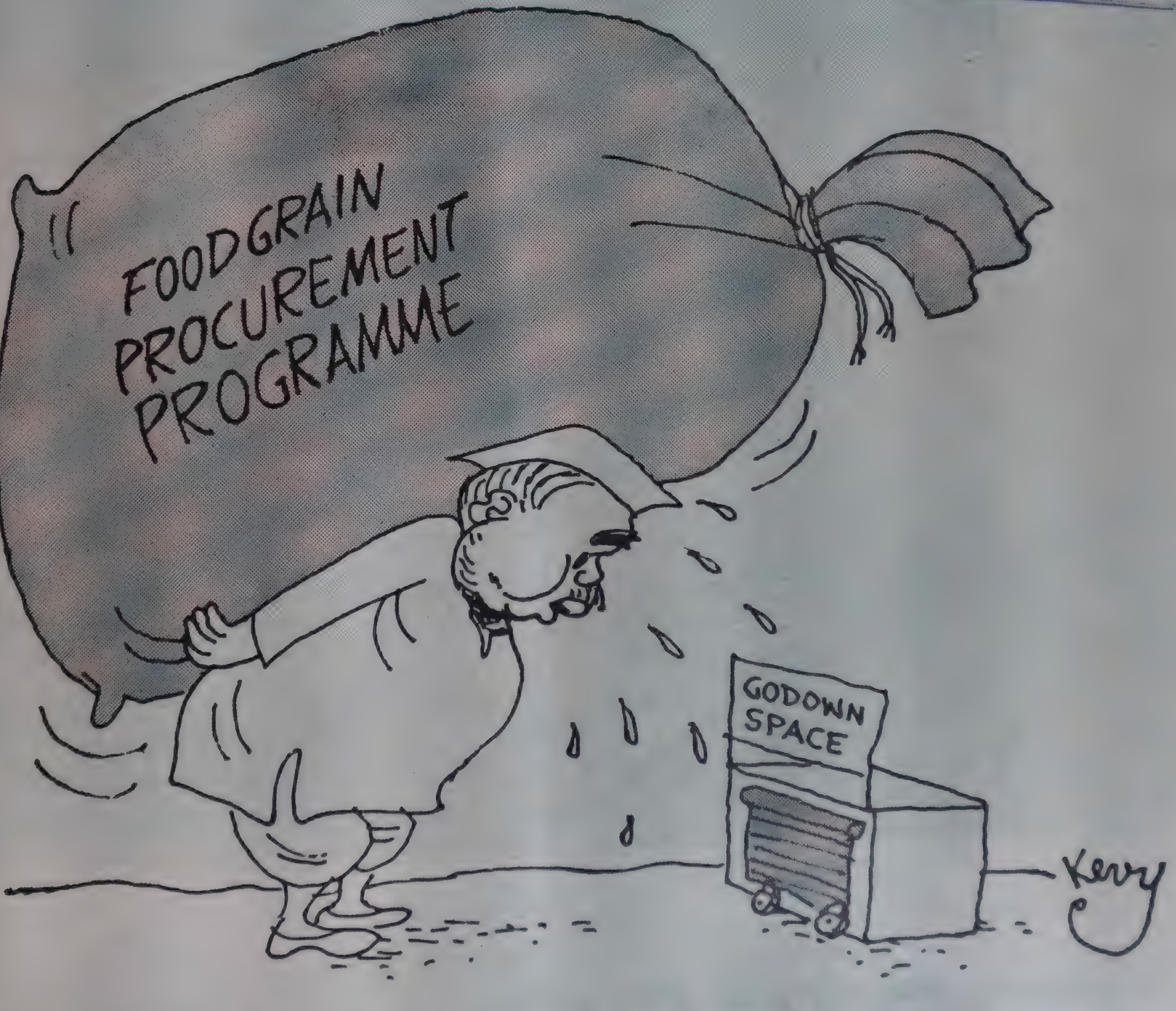

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eading Articles

he First Year 1367
timulating Coal Offtake 1368
ickness in Small Sector 1370
isparity in Power Availability 1371
apital's Corridors 1373

oint of View

ackward Areas Await a New Deal
—Anil C. Shah 1375
Workers' Sector : A New Approach
—Dr J. K. Tandon & Dr J.P. Srivastava 1378

Window on the World

Looking Ahead to Business in 2008
—Carl H. Madden 1381
A New Path for Development
—John Cole 1386

Balance Sheet

Grindlays Bank Ltd. 1388

Company Meeting

Hindustan Aluminium Corp. Ltd. 1392

Trade Winds

Central Loans; Risk Capital Foundation; Indo-Soviet Co-operation; Textile Exports to ECM; Sports Goods Export; World Meet on Freight Containers; Meeting on Hard Fibres; Developing Technological Talent; World Commodity Prices; No Export Duty on Coir Yarn; Dealers' Commission on Petrol; Names in the News 1395-1398

Company Affairs

Hindalco; Mackinnons' Landing Craft; Bharat Commerce; Larsen & Toubro; EID-Parry; Zenith Steel Pipes; Sandoz; Modella Woollens; News and Notes; Dividends; Licences and Letters of Intent 1399-1408

Records and Statistics

Excise Duty Relief 1409

The first year

TODAY THIS country completes the first year since the declaration of the emergency by President Fakhruddin Ali Ahmed. It was in the early hours of the morning of Thursday, June 26, 1975 that the President had declared a state of emergency in the country "due to internal disturbances threatening the security of India." Since then much water has flowed from under the Jamuna Bridge. It will however be worthwhile detailing the achievements that the economy has witnessed during the past 12 months.

Within the first week of the proclamation of the emergency, the prime minister, Mrs Indira Gandhi, presented the 20-point programme to the country. This programme assumed a pivotal position in the developmental efforts of the country and both the centre and the states made vigorous efforts to implement it in letter and spirit. The fight against the rising trend of prices was given the top position in this programme even though the official index of wholesale prices had started a downward march since September 1974. In any case, the impediments to increased production both in agriculture and industry were swiftly removed leading to increased supply of consumer goods. At the same time, a tight money policy coupled with an onslaught on "the parallel economy" brought about a happy balance in the economy. In the first few months immediately after the promulgation of the emergency, the absence of strikes and lock-outs and pragmatic policies pursued by the government led to a dramatic change in the country with the result that vast sections of society could not but hail the changed climate.

The 20-point programme was not a hollow charter. Sincere efforts were made in the past year to implement it. Besides curbing the rising prices and stimulating production, the government took measures to punish hoarders, imposed a moratorium on rural debts, provided funds to increase electricity production, imposed ceilings on urban lands through legislation, punished tax evaders, intensified the campaign against smugglers, industrial licensing procedures were simplified and various concessions were given to the student community through cheap text books and stationery and through the provision of essential commodities to the hostels at controlled prices. At the state level, land-to-the-tiller and also land-to-the-landless were no longer mere slogans; the state governments made frantic efforts to implement official policies in this regard. The state governments also took into hand the task of abolishing the practice of bonded labour, though the extent to which this barbarous custom prevailed in the country was not precisely known. The states undertook to review the legislation regarding the minimum wages to agricultural labour as the landless labour in rural areas had been exploited for far too long.

The improvement in agricultural and industrial production coupled with a decline in prices and restricted credit policy brought about slackness in demand and caused recessionary tendencies in certain industries. Cloth, automobiles, fans, refrigerators and a host of other industries came under pressure. At once the decision was taken to raise the outlay in the current year's plan by more than 30 per cent. No less than 43 industries were provided with excise reliefs for production beyond the levels attained earlier (See Records & Statistics, page 1409). The government thus gave up the doctrinaire approach and took to pragmatism —tackling difficulties as and when they came up.

But the growth in the economy has not been enough to absorb the growing numbers of men and women who are unemployed. Unfortunately, the number of the unemployed has been increasing year after year and all the efforts made in this respect have not been successful. And now the government has realised that the pace at which our economy has the capability to grow cannot give fruitful employment to all the new entrants in the employment market. Rightly it has realised that the family planning programme needs greater attention than it has been possible for it to give it so far. The family planning programme is rightly being pursued with added vigour even at the risk of earning unpopularity. Never before has the government taken such measures as it has taken today to curtail the rise in population through extensive sterilization campaigns. Reports from all over the country have shown a rise in the total number of sterilizations which cannot but have a sobering effect on the rise in population of the country.

The press has drawn up a code of journalistic ethics. It is not a perfect document but it shows the willingness of a majority of the newspapers to "discharge their social responsibility" within the framework of an agreed code. It does imply restraint on criticism and understandably the self-censorship during the period of the emergency has been accepted keeping in view the larger interests of the country. Political stability is a must if the country is to march forward in the economic field and during the period of the emergency, the newspapers may offer constructive criticism on which there is no bar.

Surely, the country cannot remain "in the state of emergency" for ever. If for a limited period the individual has agreed to give up some of his fundamental rights in the interest of the country, it is necessary for the government to reduce the length of this period as far as possible.

Stimulating coal offtake

WITH THE production of coal being kept up in line with the target of 108 million tonnes set for the current financial year, the pithead stocks continue to be high — around the 12 million tonnes level reached at the end of March last. At 11.8 million tonnes. in the second week of June, they exceeded the stocks at this time last year by about 4.5 million tonnes. As no complaints have been heard in the recent months about the shortage of coal in any part of the country, the movement from the pitheads to the consuming centres apparently has been easy. In fact, the average daily coal loadings of railways are stated to be nearly 20 per cent more than about a year ago.

With a view to containing the pithead stocks lest they should affect raisings. various steps have been taken by Coal India Limited (CIL) in the last few months. These include prevailing upon the bulk consumers such as the integrated steelworks, power houses and cement factories to build up stocks at their ends, encouraging of substitution of oil by coal, exploring of export markets and rationalisation of distribution.

The results of these efforts, indeed, have not been insignificant. As a sequel to the first measure, steel ptants are now stated to be having nearly 20 days' consumption stocks with them, the power houses to the order of as much as 40 days' requirements and the cement factories to about 32 days' consumption. Over two million tonnes of crude oil requirements are estimated to have been substituted by coal in the last three years, as this policy was adopted in 1973 in the wake of the hike effected in crude oil prices by the oil-exporting countries. The exploration of export markets has resulted in a shipment of about 25,000
tonnes of non-coking coal to
Belgian-British Company, Antw
a few days ago. The exports of
this year are expected to be of
order of 1.5 million tonnes — appr
mately 800,000 tonnes to the n
traditional markets such as the Eu
pean Economic Community, Jap
Egypt, Hongkong, Taiwan and Sin
pore and the remainder to the neig
bouring countries of Nepal, Beng
desh and Sri Lanka. Hitherto, expo
of coal had been only to the th
neighbouring countries.

division into zones

So far the streamlining of dist
bution is concerned, the most impo
tant step that has been taken is t
dividing of the country into four zone
Individual constituents of CIL ha
been entrusted with the responsibili
of catering for the requirements
each zone. A fifth zone has bee
created comprising the steelworks. Th
Western Coalfields Ltd, Nagpur, ha
been entrusted with the responsibilit
of dealing with the requirements
Madhya Pradesh, Rajasthan, Gujara
Maharashtra, Andhra Pradesh, Karna
taka, Tamil Nadu and Kerala throug
its regional and branch offices a
Bhopal, Bombay, Madras, Bilaspu
Jaipur, Ahmedabad and Bangalore

The requirements of the states o
Orissa, Bihar and Uttar Pradesh, alon
with those of Nepal, are being looke
after by the Central Coalfields Ltd
Ranchi, through its offices at Lucknow
Patna, Varanasi and Kanpur. Th
Eastern India Coalfields Ltd, Sanctoria
has been entrusted with the charge o
meeting the needs of West Bengal
Assam, Arunachal and Tripura as wel
as those of Bangladesh, Sikkim, Bhuta
and Burma through its offices at
Calcutta, Marghireta and Dacca.

The requirements of Jammu and Kashmir, Himachal Pradesh, Punjab, Haryana and Delhi are being catered for by Bharat Coking Coal Ltd, Dhanbad, through its Chandigarh, Jammu, ndur and Delhi offices. Through presentatives at each of the steel ts, Bharat Coking Coal Ltd, is looking after the demands of the ous steel plants. This delegation responsibility has expedited a at deal the processing of the indents consumers. The co-ordination bet- en the suppliers and consumers too s improved very significantly.

But apparently much more will have be done in the coming months to ear the excessive pithead stocks if e tempo of production has to be ept up. The efficacy of first three of the above four measures can be expected to be only limited now for some time. There is a limit to stocking of coal by the bulk consumers. Further, this is bound to create financial problems for them. Exports, similarly, cannot be multiplied in a short span of time, especially when the port facilities are still inadeqaute and the schemes for their development are yet being implemented. The future progress in the substitution of oil by coal as well cannot be as rapid as it has been till lately for the simple reason that it now depends largely on installation of some new equipment.

The major thrust for some time, thus, has to be towards stimulation of domestic demand, particularly for the high ash content inferior categories of coal which form bulk of the current pithead stocks. The expectation entertained recently that the relaxation of the curbs imposed on building activity as an anti-inflationary measure about two years ago would revive the brick-burning industry, and consequently the demand for inferior coal, does not appear to have materialised. The situa-

rice fixation

Price of Coal in Bombay

Sr. No.	Heads	BPMC	BHHC Prom	BHHC Sup.	BHHC Ord.	Soft Coke
1.	F.O.R. Price	327.00	285.00	214.00	170.00	86.00
2.	Add. Charges as per BCCL's Circular.	27.03	21.95	19.11	17.35	10.48
3.	Rly. freight	110.90	110.90	110.90	110.90	98.30
4.	Rescue & Welfare Collected by Rly.	0.78	0.78	0.78	0.78	0.78
5.	Service Charges	12.50	12·50	12.50	12.50	12.50
6.	Octroi Duty	1.00	1.00	1.00	1.00	1.00
7.	Total 1 to 6	497.21	432.13	358.29	312.53	209.06
	Tonnage Basis					
8.	Unloading & Stocking	3.00	3.00	3.00	3.00	3.00
9.	Total 7 & 8	482.21	435.13	361.29	315.53	212.06
10.	Shortage @ 15%	72.33	65.26	54.19	47.32	31.80
11.	Loading & Weighment	4.00	4.00	4.00	4.00	4.00
12.	Total 9 to 11	559.54	504.39	419.48	366.85	247.86
13.	Gross Profit @ 12%	67.02	60.52	50.33	44.02	29.74
14.	Total 12 & 13	625.56	564.91	469.81	410.87	227.60
15.	Price Rounding	625.55	564.90	469.80	410.85	277.60
16.	Siding Charges	Actual	Actuals	Actuals	Actuals	Actuals
17.	Transport Charges from Siding to Depot	Actuals	Actuals	Actuals	Actuals	Actuals

The above guidelines for selling hard coke and soft coke allotted to depots for selling to consumers were issued by Directorate of Industries, New Administrative Bldg., Bombay-32 vide their circular No. DI/RM-P/Coke/Price//75/V/8363 dated September 17, 1975.

tion, of course, may improve somewhat after the rainy season.

The anticipated pick-up in industrial activity as a result of the revival of rural demand for industrial products, following the good agricultural harvests successively for two years, and also owing to the substantial increase in the current year's Plan expenditure too should help in increasing the offtake of coal. But one major snag that needs to be attended to expeditiously is the sponsorship of indents for coal supplies by the state governments. As long as coal was in shortage, the regulation of demand for it could be justified. Sponsorship of indents in the present-day circumstances of a virtual glut of coal does not make any sense. If this snag is removed, sizeable quantities of coal can find their way to the stockyards of new dealers, thus relieving pressure at the pitheads.

pricing policy

The pricing policy for the commodity too needs re-examination. By the time hard and soft cokes reach the consumer, say in a distant place like Bombay, their prices get escalated by anything from 125 per cent to over 250 per cent. The price to the consumer goes up in an inverse proportion to the quality of coal. Soft coke, for instance, which starts from pitheads at Rs 86 per tonne plus Rs 10.48 on account of some additional charges as per a circular of Bharat Coking Coal Ltd, costs the consumer in Bombay nearly Rs 300 per tonne. The BPMC grade coke costs about Rs 700 per tonne after starting from the pitheads at Rs 327 plus Rs 27.03 per tonne. The difference in the cost escalation of the various types of coke arises from the fact that the railway movement and handling charges, octroi duty and transport charges from the railway sidings to the sale depots are approximately the same for all categories — in the case of soft coke, the railway freight, of course, is slightly lower but all the other charges are the same on tonnage basis. This affects adversely the demand for the inferior qualities of coal. It is high time that some thought is bestowed on improving the quality of coal meant for despatches to distant areas to which the railway freight is quite substantial.

Another significant fact to be noted in regard to the pricing of coal for the ultimate consumer is the shortage allowed at the consuming ends. It is as high as 15 per cent on the landed cost. One wonders if it is justified in the present-day emergency conditions. Time also perhaps has come to narrow down the difference between the prices of coal in the producing areas and those at distant places through fr
equalisation measures. This sh
go some way in accelerating the
cess of substitution of oil by coal.

The demand for coal for dom
cooking purposes can be incre
steadily, especially in the metropo
areas, in the years to come if ef
are made to make available smok
briquettes. This will assist in im
ving the profitablity of CIL a
with containing the demand for k
sene. Even otherwise, a conce
drive for replacing the use of firew
and animal dung in the countrysid
coal can yield wholesome results.

Sickness in small sector

THE GOVERNMENT of India recently announced the decision to constitute state-level coordination committees to tackle sickness in the small-scale sector. These committees are expected to serve as watchdogs over the problem units. They will be headed by the secretary of the state department of Industry and all the regional managers of nationalised banks in the state will be their members. But how far will these committees be able to ensure the healthy functioning of the small units?

If the committees are to meet only once in three months, as envisaged, they may not be able to give adequate attention to the problem of coordination which is so essential to tackle sickness in the small industries. The committees should meet more often, take prompt decisions and implement them effectively. The department of Industry in every state should be reorganised properly so as to be able to provide better service to the small industries. In many states, the department of Industry has been operating in a rather indifferent manner, showing little initiative and enthusiasm in promoting the growth of new industries, in expanding the existing ones, and in handling t
day-to-day problems.

Most state governments have
statistics regarding the trend of inc
trial production in their respec
areas. It was disclosed some time b
that there were several thousands
bogus units in the small sector all o
the country. Such a situation co
not have been created if the Indust
department in every state had ta
proper care in promoting the growth
small units. It is not known to w
extent the authorities have succeed
in weeding out the bogus units and h
far the steps taken to prevent th
emergence have proved successful.
is clear however that the state gove
ments have to display more seriousn
and dynamism in developing n
industries and in dealing with
difficulties of the small-scale sector.

The banks should also be fully p
pared to be able to render bet
service to the small units. The ban
have been playing an increasin
important role in financing small un
For example, the State Bank of In
(SBI) financed 16,048 additional sm
units in 1975. The number of sm

ts financed by the SBI rose to 87,716 the assistance given to them reased from Rs 286 crores in 1974 Rs 320 crores in 1975. But unless e banking system acquires the neces- ry expertise in various fields relating the small sector, the financial help, y itself, will not be of much use to nsure its development on sound nes.

basic shortcomings

Some of the basic shortcomings, identified by the State Bank's study team relate to the lack of equity, lack of appreciation of the requirements of a properly run industry particularly in financial management, and lack of planned and organised approach. It is obvious that these problems can be handled properly only if there is a high degree of coordination not only between banks and industry but also among the various departments of the government.

The State Bank's study team has made suggestions which aim at "improving the qualitative aspects of lending by linking advances on a continuous basis to the level of production, implementing scientific nursing programmes for rehabilitation of sick units, and speeding up the decision-making process with the help of adequate information base and analytical appraisal methods". But it is not going to be easy to carry out these suggestions effectively unless the bank's officials have the proper training and are well-acquainted with the managerial problems and the entrepreneurs themselves have some basic knowledge necessary for running an industry. Not all units in the small sector have the same type of problems. In this sector also there are many units which are smaller than the rest. Therefore, they need a different type of approach and assistance.

Incidentally, it is not clear why the coordinating committees at the state level do not include the representatives of the banks in the private sector. If the government's objective is to prevent sickness in the small sector, should not the cooperation of the private sector banks also be sought for this purpose?

The latest annual report of the union ministry of Industry and Civil Supplies refers to the new strategy to develop small industries. It says: "Principle objectives of the programme for development of different small industries in the fifth Plan are to facilitate the attainment of some of the major tasks for the removal of poverty and inequality in consumption standards through fuller and additional productive employment and improvement of skills. Furthermore, the programme would be re-oriented to step up the production of some of the basic and essential articles for the masses and also products which have a large potential for exports. In the above context, a bold strategy has been devised and a number of new schemes have been introduced". These new schemes call for proper coordination among the various agencies and departments not only at the state level but also at the centre.

Sickness in the small-scale sector cannot be tackled in isolation. The problem has to be approached in an integrated manner. Industrial licensing, direct and indirect taxation, credit policy, labour laws, railway freight—these and many other aspects of economic policy are highly relevant to ensure the healthy working of the small sector. New Delhi's economic policies have lately become more pragmatic but there is need for greater realism in various fields so that industries, big and small, can make full use of their capacity and contribute to more production, more exports, and more employment.

Disparity in power availability

THE BENEFITS of perspective planning on the power front had not been realised by the concerned ministries because of their failure to recognise the importance of according high priority for the implementation of power projects. Even after 25 years of experience in planning, the state electricity boards in different backward regions have not been quick to realise the significance of achievements of progressive states like Maharashtra and Tamil Nadu. These two states have the highest per capita consumption of electricity in the country and Tamil Nadu is able to boast that the total quantity of power generated and purchased is not far short of that of Maharashtra, which has a much larger industrial capacity. The high level of consumption of Tamil Nadu is due to near complete rural electrification, the implementation of an ambitious programme of energisation of pump sets and dispersed and orderly industrial development over two and half decades.

The creation of suitable infrastructure facilities is a prerequisite for sustained growth in production in the industrial and agricultural sectors and the failure in earlier years of the Karnataka and Andhra Pradesh state electricity boards to accord the required priority for power projects has been responsible for the relatively slow progress in many sectors. The lapses in this regard are being overcome and with bigger blocks of power becoming available in the coming years, it is expected that there will be phenomenal growth in all sectors.

What is really striking about power planning is the fact that the demand for electricity breeds fast with the increasing availability. This will be evident from the experience of both Maharashtra and Tamil Nadu. In spite of the creation of new capacity at the Koradi and Nasik thermal stations and an increase in the capacity of Koyna Hydel Project, Maharashtra has been obliged to impose sizable power cuts and the state's chief minister has been compelled to approach the centre for additional allocations and the creation of fresh thermal capacity in a big way. If the full requirements of all classes of consumers have to be met, an additional 500 MW is immediately needed. The total requirements will thus be 3,000 MW. It is pertinent to point out that this level of consumption has been reached without the location of power intensive metallurgical units which gobble up power and which are now responsible for the shortages in Karnataka and Madhya Pradesh. Besides the varied character of industrial development, Maharashtra has also implemented a programme of energisation of pumpsets vigorously and there were as many as 412,000 pumpsets at the end of March this year.

pending applications

A simillar situation prevails in Tamil Nadu and the state electricity board will require another 500 MW in order to give new connections freely and meet the full load. Even with the energisation of 741,000 pump sets by March 1976, the highest for all states in the country, there are pending applications for about 200,000 pump sets. The programme is to connect 50,000 pump sets annually to the grid and only the paucity of financial resources has been holding up progress. The newly energised pumpsets in 1975-76 were 34,407. Maharashtra has thus a big leeway to catch up with Tamil Nadu in spite of its satisfactory peformance. The Tamil Nadu Electricity Board is busily implementing new schemes and the centre has agreed to double the allocation for this purpose. But new capacity may not become available before two years and the increasing requirements in the meanwhile will have to be met with a stepping up of generation at the Neyveli and Ennore thermal stations and export of power from the Idduki Project in Kerala.

The only other state which has an installed generating capacity of around 2000 MW is West Bengal. The effectiveness of capacity in this region is greater as the content of power supply is mainly thermal in character. However, due to peaking and transmission problems and growing demand there has to be restriction on maximum demand and intense staggering of consumption. The demand for power would be on a much larger scale if the earlier rate of industrial progress had been maintained and rural electrification and energisation of pump sets also were given the requisite priority. Even with abundant underground water resources, the number of pump sets energised in the state was only 10,080 in March this year.

Karnataka and Andhra Pradesh have latterly appreciated the potentialities in this regard and there were 224,000 and 296,000 pump sets respectively in the two regions. Even Punjab which has an abundance of irrigation facilities has thought it advisable to energise 146,000 pump sets in a comparatively small area. Haryana too has 141,000 pump sets to its credit.

lack of attention

But, Uttar Pradesh, Bihar, MP and Orissa, which stand to benefit greatly with the tapping of underground water resources and which have vast tracts of cultivable land without assured irrigation facilities, have not paid that attention which is deserved by this aspect of electrification. Uttar Pradesh has only 258,000 pump sets in spite of its having more than the double the area of Tamil Nadu, Bihar 116,000 pump sets, Madhya Pradesh 1,46,000 and Orissa a mere 4,221!

The disparities in the levels of achievement in this sector between the different regions are due to lack of correct understanding of the immense benefits that flow from the implementation of power projects and the creation of requisite network of transmission system. If the levels of Tamil Nadu and Mahareshtra in respect of energisation of pump sets and
if only 50 per cent of industrial dev
ment is to be achieved, there will
to be immediately a 50 per
increase in the generating capacit
all other states. This will mean
the capacity of 20,000 MW of
remaining states by March 1977
have to be at least 30,000 MW. W
there is such a big gap and
energisation of pump sets by ano
500,000 units will irrigate more tha
million hectare, it will be desirable
divert bank funds for this purpose
an organised basis and create e
special agencies so that the pump
can be made available to farmers c
cerned on a hire purchase basis.

ample capacity

The four units of Bharat He
Electricals have a capability for prod
ing 3800 MW of generating sets;
deliveries are not expected to be m
than two 500 MW sets in 1976-77.
talk of fixing higher production tar
has no meaning when there is a lack
orders and it is even apprehended th
the turnover in 1976-77 will be le
than in the previous year. The BHE
is making strenuous efforts to push
exports. But a cut-back in producti
cannot be avoided in the absence
advance planning and the placing
orders in anticipation of new project
particularly thermal stations.

There no dearth of supplies of gen
rating equipment, transformers, tran
mission system materials, pump se
and motors. There is even a slump
the industries producing motors an
pump sets, due to inadequate deman
It will be advisable therefore to cha
out a new strategy and make the be
use of available physical resource
New techniques in respect of financin
these projects will have to be evolve
and agricultural production can
sustained at much higher levels wit
the energisation of pump sets alone.
is time, more serious thought was give
to perspective power planning and th
elimination of disparities in region
power availability.

Capital's Corridors

R. C. Ummat

Indo-Polish cooperation • Fertilizer production

THE THIRD session of the Indo-Polish Joint Commission for Economic, Trade, Scientific and Technical Cooperation, which was held in Warsaw early this month, may well prove to be a new landmark in the relations between the two countries. This expectation is based on the fact that the two sides resolved to take vigorous follow-up action for the implementation of the programmes envisaged not only concerning cooperetion so far as their own economies are concerned but also for collaboration in joint ventures in the third countries, the scope for which is considered to be quite considerable, particularly in west Asia and Africa. Special groups of experts from the two countries are proposed to be nominated within the next three months to formulate specific terms of cooperation in third countries for undertaking projects there or for the supply of machinery and equipment to them in such fields as machine tools, construction machinery, paper-making machinery, textile machinery and equipment for chemical and cement plants.

technical collaboration

Both the countries feel that cooperation between them can be expanded a great deal in the mining, industrial and fisheries sectors. Poland has agreed to assist India in various spheres pertaining to the production of coal. These include technical collaboration for augmenting production capacities through mechanisation and modernisation of the existing mines as well as through opening of new mines, development of facilities for the training of technical and senior supervisory staff, designing of mines and washeries and mine safety. Some delegations from Poland will be visiting India within the next two months to make complete offers and finalise contracts in the above fields.

In the industrial sector, apart from the collaboration envisaged in the third countries, long-term agreements are envisaged for mutual supplies of various types of machinery and equipment as well as consumer products. The fields identified in this connection are machine tools, paper-making machinery, textile machinery, electro-technical porcelain and cable, chemical machinery, building materials, non-ferrous metals and ship-building.

ship-building

Poland has proposed to supply agreed types of ships required by India. The possibility of collaboration between the two countries in the field of exchange of ship components and auxiliary equipment was also discussed.

So far as non-ferrous metals are concerned, Poland has expressed its willingness to assist India in the preparation of a feasibility study for the establishment of a design organisation for mining and processing these metals as well as for setting up smelters. India has agreed to explore the possibilities of technical cooperation in the production of zinc, photo-engraving plates and zinc strips for dry batteries.

Satisfaction was expressed by both the sides that the agromat-moto-imports/Escorts cooperation in tractors had been fruitfully completed recently.

As regards the development of fisheries resources, it was agreed that a survey should be conducted of the resources on the north-west coast of India. Negotiations are also proposed to be held shortly for the establishment of Indo-Polish joint ventures in this field. Poland has further agreed to make available 15 shrimp trawlers to India.

consumer goods

In the field of consumer goods, although it was felt that there was significant scope for raising exports of these goods from India to Poland, much depended on the level of the total trade turnover between the two countries. India promised to explore the possibilities of importing some new items from Poland or to increase imports of some traditional items so that the turnover of trade could go up to higher levels, as the imports of an important item — fertilizers — from Poland had tended to go down recently owing to India's own production going up.

The possibilities of developing cooperation between the two countries in the field of leather industry too were discussed. Concrete proposals in this field are envisaged to be presented by Poland in the near future.

Concerning cooperation in science and technology, both the sides noted with satisfaction the progress of implementation of the protocols already signed and agreed to arrange visits of experts in both directions within the next six months so that concrete projects for further collaboration could be undertaken in the current year and also under the provisions of the new working programme for the years 1977 and 1978, which are to be finalised by January next. New areas of future cooperation identified include MHD power generation, coal amelioration, survey and cartography.

The trade between the two countries, it was agreed, should be stepped up during the current year to Rs 260 crores from Rs 191.6 crores in 1975. India exports to Poland such items as tea, spices, hides, jute goods, textile machinery, rayon fabrics, sanitary equipment, hand tools, electrical household articles, etc, and imports from there fertilizers, sulphur, ships, agricultural tractors, and mining equipment and machinery.

significant strides

Briefing newsmen on the above deliberations on his return to Delhi, the minister for Energy, Mr K.C. Pant, who headed the Indian delegation to the Warsaw session of Indo-Polish Joint Commission, also stated that during his visits to Switzerland and France—these two countries were also visited by Mr Pant along with Poland — he had noted with interest the significant strides which were being taken there for enlarging the size of power stations. The operational problems of the large-sized power stations, he said, had been overcome and a good deal of economies of scale were expected from the giant stations now envisaged—600 MW stations based on coal and lignite and 1,200/1,300 MW fast breeder, sodium cooled, nuclear reactors. Switzerland, Mr Pant added, had taken significant strides in the setting up of low-head hydel power generators — of course, of small capacity of 10 to 20 MW.

Mr Pant also studied in France and Switzerland the methods adopted there for flatening the load curve. An important measure adopted in this regard, he observed, was the lowering of night tariffs compared to day tariffs.

* *

The union ministry of Chemicals and Fertilizers has set the target of producing during the current financial year 1.95 million tonnes of nitrogenous and 0.48 million tonnes of phosphatic fertilizers. The target has been fixed after analysing the capability of each production unit and making due allowance for internal and external constraints.

The targetted production of nitrogen represents a growth rate of 27 per cent over the 1975-76 level and 64 per cent over the output in 1974-75. Last year, 1.535 million tonnes of nitrogen were produced, compared to the previous year's production of 1.185 miilion tonnes, representing an overall growth rate of 30 per cent. The last year's target was to produce 1.5 million tonnes.

The envisaged production of phosphatic fertilizers compares with 0.32 million tonnes of P_2O_5 output last year which was lower than the original target of producing of 0.39 million tonnes. The production last year, of course, failed to come up to expectations not because of any managerial or technological constraints but essentially owing to market resistance.

major constraint

Higher nitrogen production target for this year has been set on the basic assumption that the power supply position would remain approximately as good as it was in the last year, especially for the Nangal plant which would need to be assured at least 98 MWs. One of the major constraints on stepping up fertilizer production in the last few years has been the erratic and inadequate power supply to fertilizer plants. During the last three years, 0.26 million tonnes of nitrogen production was lost due to power shortage.

The achievement of current year's target is also related to at least 50 per cent capacity utilisation by the recently commissioned projects at Mangalore and Namrup and the successful commissioning of the Fertilizer Corporation's plant at Barauni. It is also assumed that there would be no back in production due to high ventories with any plant.

The nitrogen manufacturing capa in the country, which stood at 1. million tonnes at the beginning of current Plan period, has now gone to 2.82 million tonnes. During last 12 months alone, four new pla were commissioned at Tutico (2,58,000 tonnes) in June 19 Gorakhpur expansion (51,000 tonn in December 1975, Mangalore (1,60, tonnes) in March 1976 and Namr (1,52,000 tonnes) in April 1976. T capacity is expected to go up another 1,52,000 tonnes this year w the commissoning of the Barau project.

phosphatic fertilizer

The installed capacity for the man facture of phosphatic fertilizer is the order of 0.69 million tonnes. is anticipated to go up by the end March next by about 1,99,000 tonn with the expansion of the Viza (31,000 tonnes) and Tuticorin (51,0 tonnes) projects and the commissionir of the Khetri (90,000 tonnes) ar Madras (third stage 27,000 tonn P_2O_5 stream) schemes.

As many as 18 other fertilizer plan are under construction at presen When ready to operate, these woul raise the total capacity to about 5. million tonnes of nitrogen and 1. million tonnes of P_2O_5.

Taking into consideration th envisaged production, stocks in th pipeline and imports committed alread during the last two years, the suppl of nitrogenous fertilizers, it is fel should match the estimated demand– around 2.4 million tonnes. The pro duction of phosphatic fertilizers, it i stated, can be raised even beyond 0.4 million tonnes if demand warrants i Just marginal further imports, therefor may have to be authorised, if foun necessary.

OINT OF VIEW

Backward areas await a new deal

Anil C. Shah

The philosophy of development of backward areas is to make available fruits of industrial activity to these areas as well as to prevent concentration of industries in overgrown industrial centres.

HE CORPORATE mechanism to service e needs of development and promo- on is a notable phenomenon in the dustrial organisation of the country. t would be seen that the trend has een to set up corporations—sometimes tatutory, but mostly in the form of companies—for carrying out development and promotional activities for industrial growth in various sectors. It is particularly so in the states. The industries departments (which would include the directorate of industries) are gradually confining their role to regulatory functions—registration, assessment of capacities, distribution of raw materials, etc. It is therefore very important to know the rationale of corporate mechanism which is increasingly being favoured, the mode of their operations and the results achieved by them.

three corporations

Though there may be a variety of corporations and their functions may vary in different states, by and large all states are tending to have at least three corporations for promotion and growth of industries in the state:

- (i) state financial corporation
- (ii) state industrial development/investment corporation
- (iii) Infrastructure development corporation.

Broadly the first two types cover the financial assistance programme with some notable exceptions like GIDC and MIDC which cover infrastructure development. The state financial corporation is under the central act providing loans up to Rs 3 millions and also underwriting shares. The industrial development/investment corporations, besides giving loans usually above Rs 3 millions and subscribing and underwriting shares also obtain their own industrial licences and implement them usually in the joint sector. The state infrastructure corporations set up industrial estates and develop industrial areas which provide convenient and ready facilities for establishing industries.

active role

As agencies and instruments of the government, the central and state financial corporations have been increasingly playing active roles in industrial development of backward areas. In their own sphere of providing finance, they are giving concessions to industries in backward areas by way of concessional rate of interest, lower margin of entrepreneur's investment and longer periods of moratorium as well as for amortization of the loans. They are also undertaking techno-economic surveys of backward areas with a view to finding out their industrial potential, identification of viable projects and competent entrepreneurs to implement them. They provide special assistance to entrepreneurs who prefer to locate their units in backward areas, organise campaigns in backward districts for bringing to the notice of potential entrepreneurs and facilities provided by state agencies etc. Some corporations, such as in Gujarat, have also set up special cells for ensuring utilisation of the facilities intended for backward areas.

This looks quite comprehensive and substantial and the results so far are impressive and indicative of central and state corporations' commitment to the promotion of industries in backward areas.

upward trend

The share of funds that goes to backward areas from the central institutions as well as state institutions has been showing upward trend in Gujarat as would be seen from Tables I & II respectively. For central institutions it would be seen that the quantum of funds being sanctioned and disbursed to backward areas has increased from 13.7 per cent and 23.2 per cent in 1970-71 (at the start of special schemes for backward areas) to 47.0 per cent and 42.6 per cent in 1974-75.

Table II gives by way of illustration figures only of the three principal corporations of Gujarat from which also a similar trend is visualised.

However, with analysed data of the spread and coverage of such assistance, it may be discerned that amongst the backward districts the share of more backward is significantly low and in fact benefit has been derived more by the areas which are on the border lines of developed and undeveloped areas both geographically and economically.

The philosophy of development in bachward areas has twin objectives which are equally important. Positively, it seeks to make available the fruits of industrial activities to areas which have remained predominantly sustaining upon agriculture. Negatively, it wants to prevent further concentration of industries in the existing overgrown industrial centres particularly in the metropolitan areas. Therefore, it is necessary to take a larger view to find out as to what extent the industrial development in the recent past has been taking place outside the existing metropolitan areas which has both highly developed urban characteristics and pointers of industrial growth.

Taking the example of Gujarat, the developed centres are the six cities of Ahmedabad, Baroda, Surat, Jamnagar, Rajkot and Bhavnagar. With the support of state agencies, industrial development has been taking place in a significant manner in other places such as Vapi, Ankleshwar, Kalol, Surendranagar and Anand. The crucial reasons for emergence of these new industrial centres could be as follows:

(i) Nearness to large markets (Vapi—nearness to Bombay).
(ii) Better transport and communications (Ankleshwar).
(iii) Nearness to metropolitan areas (Kalol in backward district of Panchmahals—only 30 miles from Baroda and connected by state highway).
(iv) Central subsidy (Ankleshwar and Surendranagar).
(v) Local entrepreneurship (Anand).

Although assistance of central and state corporations is available to all the 10 backward districts of Gujarat, the new industrial centres have emerged only where conditions mentioned above were available. If this analysis is correct, then, to develop a larger number of growth centres, the conditions necessary for their emergence and success have to be created at a larger number of places. The crux of the problem is: can the financial institutions whether of the centre or the states be expected to create such conditions? Have they wherewithal and the competence? In fact the governments are inclined to set up corporations not merely because there would be more flexibility in their administration as compared to government departments which face procedural constraints but also because it is increasingly appreciated that such corporations would be able to function as commercial organisations obtaining funds from financial institutions such as banks, LIC, etc would be willing to lend mor financially viable schemes of corporations.

Budgetary allocation of these rations in the government budg leaning down progressively and have to rely increasingly on financial institutions and public d for their funds. A new growth c for its success demands better roads, better medical and educa facilities, recreation arrange facilities for training of workers, housing for technicians and la communications of telephone, tele etc which may not be remunerativ therefore need to be subsidised d initial periods. Development o these would require large amount dead investment. Can the corpora which borrow funds for their o tions—and not always at concessi rates of interest—afford to put money in the creation of such facili

There is always a line between motional activities and welfare activi Apart from relatively small expendit in promotional work always associ with any large investment underta the corporations can expect to shou

TABLE I

Direct Assistance* Sanctioned by IDBI, IFCI and ICICI to Units in Specified Backward Districts

(Amount in Rs. cro

Year	Assistance sanctioned			Assistance disbursed		
	Specified backward districts	Total	Percentage of (1) to (2)	Specified backward districts	Total	Percentage (4) to (5)
	1	2	3	4	5	6
1970–71	12.03	88.05	13.7	13.78	59.50	23.2
1971–72	55.69	143.90	38.7	9.46	61.15	15.5
1972–73	29.27	122.47	23.9	16.83	83.65	20.1
1973–74	70.64	171.39	41.2	39.55	124.89	31.7
1974–75	72.00	153.25	47.0	55.08	129.18	42.6

*Includes direct loan and underwriting assistance.

Source : IDBI Annual Report 1974–

n additional responsibility only if y are in the nature of investment ding returns enough to enable repayment of the borrowed funds along with interest loan and administrative penses. However, when the expendie is in the nature of low or no return lfare activity, it would be in the fitss of things that they are borne by e respective development wings of vernment.

Thus the distinction between expenditure by way of investment and by way of promotion of welfare needs to be kept clearly in view. In fact, even as an exercise in paradox, the corporations may campaign in backward areas only so long as not many are willing to avail of these concessions and set up industries. More adversely consequential, however, would be any hesitation on the part of corporations to assist projects of limited potential or the indifference of government agencies in providing amenities and facilities of welfare nature.

There is already a proposal to create a body/authority in the centre for backward area development to coordinate the activities of all central agencies whose contribution is necessary for development of backward areas. There is need, equally urgent, to have a state level body for backward area development so that the central authority does not have to deal with a plethora of

TABLE II

Comparative Statement of Sanctions and Disbursements in Ten Backward Districts of Gujarat State

(Rupees in lakhs)

Year	GIIC						GSFC					
	Sanction			Disbursement			Sanction			Disbursement		
	Guj.	Backward Dist.	%age	Guj	B.W.Dist.	%age	Guj.	B.W. Dist.	%age	Guj.	B.W. Dist.	%age
1969–70	848.74	85.31	10	228.53	102.77	45	519.80	135.94	26	340.15	84.53	25
1970–71	819.49	112.10	14	570.88	76.58	13	684.61	185.74	27	549.91	148.49	27
1971–72	90.22	29.99	33	284.95	25.45	9	1041.60	245.23	24	553.49	138.07	25
1972–73	704.90	125.84	18	284.21	32.53	12	1357.45	368.25	27	636.68	167.18	24
1973–74	527.79	293.48	56	288.85	70.05	24	1739.49	699.54	40	838.18	236.39	28
1974–75	489.58	228.35	47	304.00	65.83	22	1855.06	717.56	39	1426.83	567.45	40
Total	3480.72	875.07	25	1961.42	373.21	19	7198.01	2352.26	33	4345.24	1342.11	31

Comparative Statement of Sanctions and Disbursements in Ten Backward Districts of Gujarat State (Contd.)

Years	GIDC						Total (GIIC, GSFC & GIDC)					
	Sanction			Disbursement			Sanction			Disbursement		
	Guj.	B.W. Dist.	%age	Guj.	B.W. Dist.	%age	Guj.	B.W. Dist.	%age	Guj.	B.W. Dist.	%age
1969–70	371.23	33.54	9	—	—	—	1739.77	254.79	15	568.88	187.30	33
1970–71	652.86	48.41	7	—	—	—	2156.96	346.25	16	129.79	225.07	20
1971–72	612.51	86.65	14	—	—	—	1744.33	361.87	21	838.44	163.52	20
1972–73	406.69	69.89	17	—	—	—	2469.04	563.98	23	920.89	199.71	22
1973–74	576.92	104.90	18	—	—	—	2844.20	1097.92	39	1127.03	306.44	27
1974–75	870.94	243.90	28	—	—	—	3215.58	1189.81	37	1730.83	633.28	37
Total	3491.15	587.29	17	--	—	—	4169.88	3814.62	27	6306.66	1715.32	27

*GIDC data pertains to capital expenditure.

institutions in the state responsible for providing investment or welfare in the backward areas. This will also perhaps ensure some uniformity in the operation of corporations in various states which, without close co-ordination, are now indulging in providing concessions for attracting industries in their own backward areas, the concessions which cancel each other as would happen in any competitive field where the market is limited.

At present the financial institutions, particularly the state corporations, are expected to shoulder very large responsibilities and provide certain amount of leadership for the industrial development in backward areas. It deserves examining as to what extent this is realistic and entirely in the interest of the highly important programme of developing new urban industrial centres. Such a programme requires far more inputs largely in the shape of welfare measures beyond the competence and resources of these corporations working with borrowed funds. They cannot provide leadership in promoting schemes which, if they are to succeed, would not be financially commensurable. They can only provide support, if leadership is provided by a state authority to coordinate and rope in large number of state agencies for creation of basic facilities essential for development of new urban industrial complexes.

At present, the broad coverage of services now being rendered by financial institutions is as indicated:

(1) Financial
  (i) Lower margin from the promoters
  (ii) Concession in the rate of interest
  (iii) Longer period of moratoriu
  (iv) Longer period of repaymen
(2) Developmental
  (i) Techno-economic survey
  backward areas
  (ii) Identification of viable in
  trial projects and preparatio
  project profiles
  (iii) Location of entrepreneurs
  implement identified project
  (iv) Campaigns in backward area
  (v) Opening of branch offices
  backward districts
  (vi) Appointment of developm
  officers to work exclusively
  development of backward are

The issue, therefore, for setting u
special agency in the states for devel
ment of backward areas is wide o
in regard to its status, compositi
functions, powers as well as resourc

Workers' sector: a new approach

Dr J.K. Tandon & Dr J.P. Srivastava

This article examines the feasibility and rationality of the evolution of a worker sector for achieving the social objectives of a welfare state

A SHARP deviation from the traditional thinking and rigid economic ideologies has been perceived in recent years in almost all the developing countries. In those countries where it has been difficult to uproot the old institutions, a 'mix' or different ideologies has been effected to evolve a new social order. In the economic sphere, the ideology of 'mixed economy' has, as a consequence, promoted the growth of both the private and the public sectors. In pursuance of the basic tenets of 'evolutionary process of growth', the new credo of 'gradualism' has been stressing the growth of public sector as a counterveiling force for achieving the social objectives of a welfare state. Consequently, public sector has expanded and made its mark in the process of development in most of the developing nations.

Of late, industrial policy in our country has stressed the growth of the joint sector. Wherever this novel experiment has been implemented, it has brought the state and private entrepreneurs together in an effort to make the country self-reliant. To further this basic objective, the prime minister's 20-point programme lays stress on increasing productivity by making workers' participation more effective. Alongside, the idea of evolving a new sector—workers' sector—has been floated in the changing environment of the country.

This article is intended to examine
the feasibility and rationality of t
evolution of such a sector.

Under the 20-point economic pr
gramme, workers' participation h
been made imperative in specifi
industries and under specific condition
As a natural outcome of this ne
arrangement the new concept
workers' sector is a step forward
achieving the aim of participati
management at various levels. If th
sector gives better results, it will be
challenge to big industrial hous
where workers have neither any part
cipation in management nor have the
any share in the surplus value of the
labour.

The new concept of workers' secto
is nothing but an extension of the con
cept of joint sector, which implies tha
the private sector and the governmen
should join hands in building up a
industrial complex in the country. I
the same context the idea of workers

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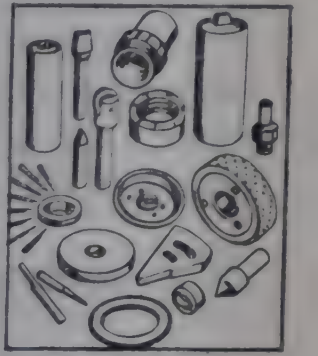

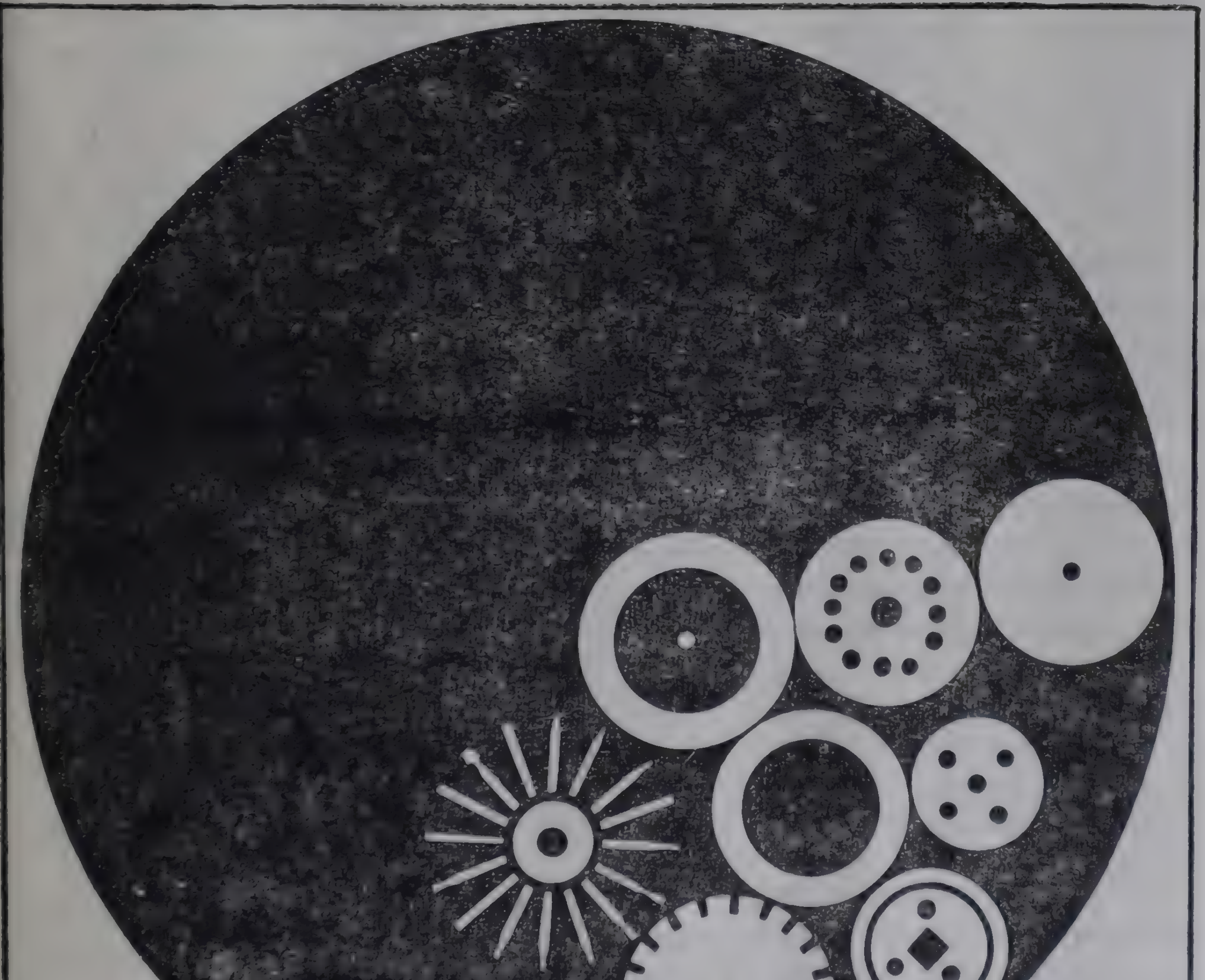

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Growth through enterprise

MM/G/11

sector is mooted wherein it is envisaged that government and workers' would join hands in operating an industrial concern.

Advocating the idea of workers' sector in industry, the Finance minister Mr C. Subramaniam, announced in Parliament on May 19, 1976, that Rs 1000 crores that had been impounded under the Additional Emoluments (Compulsory Deposit) Act, 1974, could be fruitfully invested in such a sector. If the scheme operates well this could be the fifth sector of industry in the country, the other four being the public sector, the private sector, the joint sector and the cooperative sector.

tentative proposal

The idea is to mobilise not only the amount that has already been impounded but future savings of the employees as well. The government's tentative proposal is to have a Workers' Investment Corporation which would offer the prospects of sharing the gains of capital appreciation and profits of enterprises. It would also provide incentives for saving. A fundamental advantage that would accrue from this investment corporation would be a stimulus for improving labour productivity in a manner which is unlikely to be associated with other schemes of compulsory savings. At present such savings are available to the government as fixed term loans.

The Finance minister has assured that he will see that the most profitable section of the industry is allocated under this new scheme. In this connection he further referred to the Foreign Exchange Regulation Act which provides for foreign companies to reduce their shareholdings to the level of 40 per cent. All such dilution should be done through workers' investment instead of big businessmen walking away with it.

The concept of workers' sector if critically examined seems to be more or less a refined form of the Theory of Surplus Value. An outstanding feature of the Marxian analysis is the materialistic interpretation of history which explains the foundations and evolution of all life. Karl Marx believes that the relations of production determine the entire social, cultural, legal and institutional structure of society.

In the background of the Marxian analysis it can be said that workers' sector would achieve the aim of reduction in economic inequality and of establishing a socialistic pattern of society.

profitable industries

It should be ensured that only profitable industries are operated by this new sector. There will be many challenges to the policy makers in framing the guidelines for this sector. A high level task force with central ministers as members has been constituted to draw up a blue-print for directing these savings into productive channels. It is suggested that the following points be given due consideration at the time of framing a broad policy for this new sector.

(1) *Participation in share capital*: Like the joint sector, workers' sector should operate in partnership with the government. The scheme of shareholding is to be introduced in both public and private companies in general. The basic question is who will hold the 51 per cent shares? In our opinion workers' should be given due consideration in controlling the operation of the ventures under this scheme. The scheme of workers' shareholding is not new as it has already been tried in Hindustan Organic Chemicals and Hindustan Antibiotics.

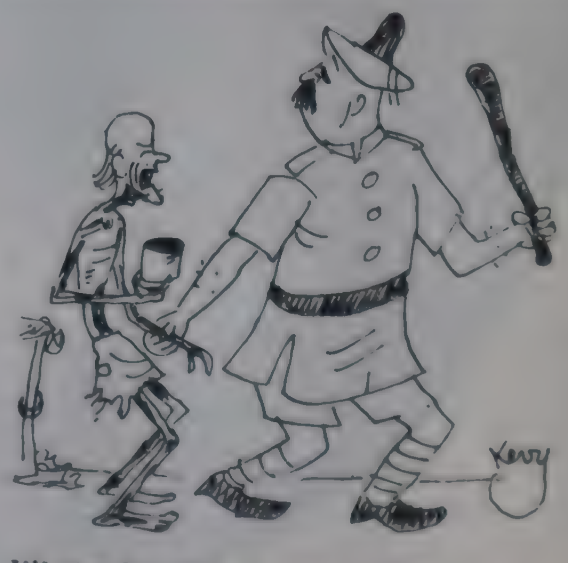
(2) *Board of Directors*: The second important point which is to be considered on a priority basis is the appointment of directors on the boards of the concerned companies. In our opinion, professional trade union leaders should not be appointed on the boards. Complete autonomy sh be given to the board so appointed

(3) *Profits*: The main problem w would naturally be faced by the force is to finalise the criteria of tributing profits. It should not be only those who are working in particular venture are recipients profit of these ventures. Also pr earned by such ventures should transferred to the Provident F account of the shareholders.

Workers who are on the verge retirement, should be excluded fr this scheme as this would create problem in transferring profit maintaining the accounts.

The new concept of workers' sec will be a step forward in fulfilling objectives of the 20-point programme workers' participation in management.

If the workers money is invested productive enterprises and return to workers depends upon the profitabil of the enterprises, it would build in the country's economic and soc structure a powerful lobby of work and trade unions. Government shou also invest in this sector money fr provident funds so that these amoun earn appropriate income rather than tied up in low return investments. T new scheme will also be a motivati force for increasing national savings the people in general would get adva tage of the return on the amount saved.



I'll stop begging as soon as I get my consumption loan sanctioned.

Looking ahead to business in 2008

Carl H. Madden

Mr Carl H. Madden is chief economist, Chamber of Commerce of the United States. This article is based on his remarks at the Frontier of Science Symposium, The Kerr Foundation, Tulsa, Oklahoma, Wednesday, April 28, 1976.

Y THE time young people 18 years old each the half-century mark in 2008, merican society and its social institu-ions including business will have passed hrough a powerful transformation, rom the industrial to the post-industrial age.

new patterns

Like the earlier immigrant children of European parents, young people of today often lead the older generation in new patterns and life styles because they find the new world more natural and easier to accommodate. It is, however, mistaken to believe that young people today are causing the transformation, just as it was mistaken at the turn of the century to think that the earlier immigrants' children caused the newness they found in America. Rather, they are heirs to the transformation.

The revolution in thought, the scientific revolution, through which we are living, is not dependent on the youth culture of the 1960's or today for its power to affect the major institutions of society. It is instead dependent on the advance of our civilization through the discovery of new knowledge, that leads to new understanding. The enterprise of discovery, itself a modern development, is part of our civilization, giving to it unprecedented motive force.

Just consider the impact of some of the main ideas of the scientific revolution. According to astronomer Harlow Shapley, the ten most far-reaching achievements of the 20th century science are: (1) knowledge of the chemistry of life's origin; (2) cosmic evolution—the evolution of the universe itself, from neutrons to man and beyond; (3) relativity theories, that show the equivalence of matter and energy; (4) the corpuscular sciences—the subatomic world; (5) automation and computers—the theory of information and cybernetics; (6) the exploration of space; (7) the idea of the expanding universe and the evolution of galaxies; (8) the triumph of medicine in conquering at least presently many major diseases; (9) the biology and chemistry of molecules including viruses and deoxyribonucleic acid (DNA); and (10) the exploration of the mind.

group understanding

Although most people don't know it, a similar list of achievements in the social sciences in the 20th century could be developed. It would surely include national income analysis, probability theory and sampling, general systems analysis, community structure analysis, and other achievements that increase knowledge and understanding of how people live together in groups.

What is the point of listing these achievements of the scientific revolution? It is to remind you that they change the picture, the image, of the universe itself and of the place of mankind and of the earth in the natural order of things. You must—or you will soon—realize that all of us react to our own image of reality, of what things are really like. The twentieth century scientific revolution changes the world-view shared by the educated people of our generation. It is a change at least as significant as the Renaissance 300 years ago. According to some observers, such as the anthropologist Margaret Mead, it may be as significant as the shift 8000 years ago from hunting and gathering to the age of agriculture.

age of universe

Take a moment with me and consider an oversimplified picture of the universe as portrayed by science. We believe from science that we live in a universe 12-to-14 billion years old, or some multiple thereof. It is composed of uncounted hundreds of millions of island universes, or galaxies, which are all moving away from one another at speeds proportional to their distances apart, up to some that are moving away from our galaxy at close to the speed of light.

These galaxies appear to be in various stages of evolution themselves. We are found within a typical spiral-armed galaxy of about 100 billion stars, that stretches 100,000 light years (six trillion miles equals one light year) from edge to edge and whose center is about 10,000 light years thick. Our quite ordinary sun is located in one of the spiral arms, about 30,000 light years from the center, and for about 4.5 billion years it has been slowly circling the center, rotating every 200 million years as the galaxy turns. Our earth, also about 4.5 billion years old, is only an interesting detail of this sun's planetary system.

The scale of these things is mind-boggling. If the sun were the size of a basketball, then the earth would be located about 100 feet away, the size of a wheat kernel, and the farthest planet, Pluto, about a mile away, the size of a millet seed. The nearest star to the sun would be about 4,000 miles away. Between is space deemed empty for most but not all purposes, having an atom about every cubic mile. We lie in the sun's outer atmosphere, ever so gently wafted by the solar wind of charged particles streaming out from the sun.

begining of life

Life, it is thought, began on earth from natural causes about 3.5 billion years ago. Although man or his erect relatives have lived on earth about four million years, the dinosaurs reigned for 200 million years. Recent Ethiopian digs going on now suggest the presence of hominids in its eastern regions four million years ago, while evidence found by the Leakeys in Olduvai Gorge in Tanzania suggest 3.5 million.

Recently, we have come to relate population ceilings to these major stages of technology: food gathering, farming, and industrial. The world population ceiling for man as food gatherer, reaching through 600,000 years of Old Stone Age or Paleolithic period, was about 20 million, based on two square miles per person needed for hunting and gathering in the limited areas that were suitable. The secon[illegible] beginning about 6000 BC, brought the agricultural revolution, which raised the population ceiling of the world to one billion. The highest estimate of a population ceiling for the third stage, that of industrial technology, has been made by geochemist Harrison Brown, and stands at 50 billion. Brown, assuming world-wide industrialisation, nuclear fusion and solar power, and all other technology now foreseen, concludes that 50 billion people could live on earth in a vast, world-wide megalopolis, eating food supplied mainly by algae farms and yeast factories, and using technology employing vast amounts of energy to process mostly air, water, and in huge amounts ordinary rock-granite.

Man or his erect relatives have lived about 160,000 generations of 26 years each, a not unreasonable measures of average life expectancy for the bulk of human history. If the past 50,000 years of human existence are divided into lifetimes of 62 years each, we live in the 800th lifetime. Of these 800 lifetimes mankind has lived 650 in caves. Writing has been available only in the past 70 lifetimes. Only during the last six has printing been available. We have been able to tell time precisely in our civilization only in the past four.

It took nearly four million years to reach a population of one billion in the world (1850). It took only 112 years to reach an estimated three billion (1962). World population is thought to have reached four billion this year, and by 2008, at present growth rates, it will reach five billion.

stagnant per capita

It is roughly accurate to say that nine out of ten people who have ever lived on earth have been consigned to live out their lives in unremitting drudgery on the soil. In the year of Jesus' birth about 250 million people lived on earth having an annual per capita income in current dollar equivalent of about $200. In 1766, world population had grown to about 750 million, but real annual income in current dollar equivalent remained at about $200 per person.

In the 200 years since, the world has experienced the Industrial Revolution, and with it the take-off of every
economic. World population has
to four billion, but world output
risen close to $4 trillion, so that
world output per person moves clo
$1,000 and real annual income
person is more than $600.

Between 1776 and 1975 world p
lation has increased six-fold, real w
output eighty-fold, the distance a
can travel a day between a hund
fold and a thousand-fold, the ki
area of the most effective megad
weapon over a million-fold, the amo
of energy that can be released fro
pound of matter over 50 million-
(with much more to come) and the ra
and volume of information technol
several billion-fold. So says Norr
Macrae, Deputy Editor of the (Lond
Economist.

method of invention

What has the Industrial Revolut
brought us? Above all, it has brough
a change in the character of change
itself, says Ian Wilson of General El
tric. "The greatest invention of the ni
teenth century," Alfred North Wh
head pointed out, "was the invent
of method of invention." That is to s
the nineteenth century discovered
fruits of systematically applying scie
to industrial affairs. It happened in
German technical high school, the
technical university such as the priv
Massachusetts Institute of Technolo
and in the public "land-grant" colleg
the polytechnic state universities
up under the Morrill Act of 18
And it happened in the great industr
laboratories of firms such as Gene
Electric and the Bell Tellephone syste

How has change changed? It mov
faster. The "doubling time" of p
cesses is shortening, as what I sa
earlier illustrates. Also, change is mo
complex and interdependent. We a
gathered into world-wide "systems" th
transmit changes in ways that, as J
Forrester has so elegantly demon
trated, are "counter-intuitive", b
having differently from what o

tion would suggest to us. Finally,
ge is perceptible and pervasive.
advent of nuclear science, of
rnation, of world-wide communica-
by TV makes change evident and
d and it makes change wide-spread.

ne logical change is the shift to
ost-industrial society. At its simp-
, this means that by 2008, fewer
n one out of ten people working
l be able to produce all the "things"
need—from mining, manufacturing
d agriculture. The rest of the work
rce will be better referred to as
rains" than "hands", as "collea-
es" or "associates" rather than
labourers."

use of technology

It also means that affluence, educa-
ion, and systematic use of science in
ocial as well as industrial affairs will
ave become dominant in our lives.
Take affluence. Since 1800, per capita income has doubled in real terms every generation. In the five generations since 1800 and the mid-1960's, per capita income has moved from $200, to $400, to $800, to $1,600, to $3,200. If it keeps up—and it can—by 2008 will it not produce qualitative as well as quantitative changes? Already we see concern for quality over quantity, of creative leisure over uncreative work, of career changes to achieve human potential, and the like.

Take education. What is its mark on people? Educated people have more self-respect; they expect to be treated as individuals; they are intolerant of authoritarianism; they want interesting work; they expect to use their knowledge. Already, the knowledge industries employ half our work force. The proportion will be higher still in 2008.

Take technology. In the coming transformation our society may learn how to use technology for social as well as industrial purposes. Already we are becoming more aware of adverse social and environmental effects, are questioning the earlier "technological imperative" that holds if a thing becomes possible to do it ought to be done, are beginning to glimpse the potentiality of world-wide communications. We need to learn how to apply the spirit of scientific inquiry to social and political affairs. And we may have to face what Gordon Rattray Taylor called "the biological time bomb"; that is, the impact of discoveries in bio-medical research on our answer to the ancient question, "what is man?"

Finally, the Industrial Revolution has brought us face to face with the prospect of global disaster and the promise of global adequacy. The prospects of disaster flow from the current growth of world population projected ahead only one hundred to one hundredfifty years. It seems doubtful—assuming no slowdown in population growth rates, an important assumption—there will be enough technological and cultural progress to sustain as many as 14 billion people on our globe. Since the doubling time of world population is currently 32 years and decreasing, this could mean a drastic decline in world population within the next 100-to-150 years through war, famine, or pandemic desease. This problem is what the Club of Rome has called "the world predicament."

failure of success

Yet, such a catastrophe need not happen. Margaret Mead has pointed out that ours is the first of mankind's great intellectual revolutions of which we are conscious who are living through it. The irony of our consciousness is that the world predicament represents in large part the failure of success. As the industrial scale mounts in size, the unforeseen consequences of success trap us in their web. Our longer life span leads to overpopulation; our new weapons multiply the risk of world destruction; our new and more productive machines displace workers; our transportation advances create urban blight; the increase in efficiency dehumanises work; our power of knowledge threatens privacy; our affluence creates environmental decay; our expanding wealth in industrial countries widens the gap beween have and have-not nations.

Modern anthropologists study the "culture" of human groups. The term "culture" is very broad. Culture refers to all the things and devices that human groups use to enhance, protect, or express themselves. Culture includes the artifacts—the tools, art, and architecture of a group. It also includes non-material aspects of the culture—its myths, beliefs, and stories—that human groups use to achieve more effective interaction with their environment.

two-edged sword

Culture is a two-edged sword. If we do not control our culture it may devour us. Through the ages, man has controlled his culture in order to survive. But obviously the history of past civilisations, of their decline and fall, shows that man has not always achieved success in changing a given civilization to meet new challenges. When a culture is put under strain, the alternatives are few. Either the population is checked and the culture is fragmented into sub-cultures or a new culture is invented. In the long history of life and mankind on the planet, all evidence of success in meeting culture crises favour adaptation. As Paul Bohannon of North-Western University observes: "Change is not doom—it is the antithesis of doom. Doom is to be found in the struggle to resist change—salvation comes with understanding it."

How is US business likely to adapt in the next 32 years to create the world of 2008? How can our society and its institutions respond to the promise of global adequacy that is inherent in the challenge to our culture? It is vital to realise that no mortal or model can guarantee an accurate forecast of the future. It appears that surprises, or what has been called genuine novelty, is part of life on earth. Also, it is worth keeping in mind the Zen Buddhist observation, "In the beginner's mind there are many possibilities; in the expert's mind there are few."

The United States of the year 2008 is likely to be older, better educated, more affluent, and more southern and western. The decline in the birth rate to below replacement levels already means that by 2008 there will be fully one-fourth fewer 25-year-olds than 40-year-olds, the first time in our history an inversion of such magnitude has occurred. Average age will be moving upward from the present 28 toward 35, then later toward 40. Though affluent, the US may not be the world's leader in per capita real income produced each year; already we lag behind Sweden, Switzerland and West Germany. If present mobility trends are only accelerated by new electronic technology, more US people will move south and west before 2008 and out of cities and suburbs.

changed values

People's values will have changed. One way to view such change is to consider it the results of a progression. The social psychologist Abraham Maslow defined a hierarchy of needs. The hierarchy of five levels goes from Level 1, physiological needs for food, shelter and clothing; to Level 2, safety and security; to Level 3, social needs for giving and getting love and friendship and being part of a group; to Level 4, ego-needs for self-respect, independence, achievement, status, and peer recognition; to Level 5, self-actualisation needs, to realise one's full potential. The progression tends to move upward from the first to the fifth level.

Value changes likely to ensue are a shift from quantity to quality, from merely "more" to "better"; from independence of nations to interdependence; from exploitation of nature to living in harmony with nature; from priority of technical efficiency to technical efficiency with ecological justice; from authoritarian governance to participative governance; from work as sacrifice to work as purposive and self-fulfilling; from centralism and uniformity to pluralism and diversity; from dominant concern for material needs to growing concern for social wants; from preoccupation with things to a desire for experience.

urban patterns

Technological change in communications and electronics fosters these trends, even suggesting the beginning of the end of todays urban pattern. First, telecommunication of today moves toward telecommuting tomorrow. With knowledge industries growing toward using 60 per cent of the labour force, cable TV may allow more workers to avoid much travel by teleconference, remote computer terminal access, and the like. The prospect is for tele-medicare, tele-education, and instant electronic banking in place of cash. Second, today's suburban life styles are already breaking down. Even in 1970, 60 per cent of Americans did not live in nuclear families with an earning dad and a housewife mother. Plural marriage is now more common in the US than in many countries allowing polygamy. Because Americans are so mobile, new political action groups are far more powerful than out-of-date geographical units of repesentation. In 32 years these groups will gain in power unless today's geography of politics is reorganized.

The corporation that is successful will adapt to people's changes in values. In the area of manufacturing by 2008 the US will be creating a "recycle society," one in which virtually all materials are used and re-used indefinitely. Waste and scrap are to become our major resources and natural resources our backup. The shift of values from things to experiences may create a new simplicity of life style
marked by ingenuity and social pers
tive rather than by self-indulgence.

Generally, corporations will recog
that they are creations of societ
satisfy economic needs and havin
mutuality of interest with soc
Indeed, the corporation that is succ
ful in 2008, says General Electric's
Wilson will go further: "As a microc
of society, a corporation must re
all of that society's shared valu
social, moral, political and legal,
well as economic." The essence, t
of corporate social responsibility
social responsiveness. By 2008,
public will evaluate corporations
three major criteria: social performa
in traditional markets, social
formance in the "public nee
markets, and social performance
achieving non-economic values deen
important by society.

Considering traditional markets
consumer and industrial goods
services, by 2008 most industries
have adapted to environmental, hea
safety, and consumer regulation
gone the way of the dinosaur. A n
definition of efficiency will be develo
that includes accounting for the costs
production involving healthy, safety
environmental impact as normal inp
to production. Manufacturing as
result will likely be shifting to locatic
in underdeveloped areas of the coun
and the world.

a new market

The market for public needs co
well become by 2008 a big new mar
for corporate performance. It ref
to housing, education, health, tra
portation, waste management, polluti
control, and the like. There is mu
evidence that public production of su
public goods is inefficient. A promisi
alternative is regulated private prod
tion of public goods, a "social-industr
complex," a partnership of busin
and gouernment aimed at dealing w
social problems.

Turning to non-economic valu

porations will be expected to direct h their business and managerial ion, internally and externally, to hieve social objectives such as ualty of opportunity, management of tural resources, development of man resource, and attainment of a st and stable society. Although these ojectives involves cost, they are asically reflections of current social, oral, legal and political values.

The major areas of future challenge o the corporation are at least six. hey include (1) constraints on orporation growth; (2) issues of corporate governance; (3 management of he "new" work force; (4) external constraints on employee relations; (5) business-government relations; (6) politicising of economic decision-making.

rules of the game

Corporate growth is likely to be slowed down by issues ranging from national growth policy through economic controls and environmental protection to questions of industrial structure. The governance of corporations, already changing, involves liability of directors and managers, disclosure of information, and the composition of boards of directors. The "new" work force will demand job enlargement, flexible scheduling, more equal opportunity, more involvement and participation. And government will be setting new "rules of the game" in health, safety, employee benefits, bargaining, and civil rights of employees at work to enjoy privileges and responsibilities of free speech. In business-government relations, business will probably develop a partnership with government market by higher ethical standards and greater disclosure. Finally, economic decisions will be politicised through the effects of political action groups.

It thus seems to follow that in the coming years of transformation of our society, the business corporation that is successful will be forced to adapt its own values and goals to the changing values of society. In my opinion, events are moving in a direction exactly opposite to the doctrine that corporations should limit their activities to classic profit-making. On the contrary, the changing values of society are redefining the content of the term "profit" by changing the meaning of cost and by regulating the pursuit of revenue. Also events are moving in the opposite direction from *laissez faire*. Because current corporate practice is not fully adapted to the current transformation, *laissez faire* is not trusted as before to yield social benefit.

The greatest danger, however, in moving through the transformation is a mistaken approach to business that would result in further concentration of economic power by government. Today, government employs one out of six workers in the US and controls around 37 per cent of total spending. In the UK, government controls nearly 60 per cent of spending and in Sweden fully 60 per cent. And, of course, in authoritarian Communist countries government controls nearly all economic activity with resulting loss of personal freedom.

That business power, as we move into the post-industrial age, is being curbed and shaped by governmental and non-governmental groups seems beyond dispute. That the corporation is being held to new and different standards of performance also can hardly be gainsaid.

The crucial question is whether moves to hold the corporation to higher standards of conduct, to greater participation, disclosure, environmental concern and the like will or will not generate excessive burdens of regulation and control that stultify its productivity and that destroy the remarkably sensitive market system. It is, after all, the market system that has made our economy so productive and responsive. The market is an analogy to a survival and selection system in biology. It tests and evaluates new species of technology for their survival value.

In the new society of 2008, when today's 18-year-old is 50, such questions will be debated in an atmosphere of greater affluence, more widespread education, more advanced technology, and greater human efficiency. The question whether they will be debated in a world that has begun markedly to curb population growth and has achieved a more widespread distribution of wealth and income will dominate the answers. Whether it is a world of greater personal freedom of thought and action is by no means clear. You will have to work and worry, invent and persevere, to protect the freedoms this country offers. Each generation has to love freedom enough to sacrifice for it, or risk losing it.

Eastern Economist 30 Years Ago

JUNE 28, 1946

Nationalisation of land may now be examined on its own merits. Apart from historical or political considerations, it is unscientific to argue that the Zamindari system should be abolished because most of the Zamindars are descended either from rent-receivers or political adventurers of the Mohamedan period. The origin of several social institutions is shady but that does not mean that we should abolish them. Social purpose is the only justification of a social institution. The only point for enquiry in this connection therefore should be whether the Zamindar serves only worthwhile purpose of society. The justification for private enterprise in industry is organisation and risk taking. Is a zamindar an organiser of agricultural activity. All evidence is to the contrary. What risk does he take. It is true that natural causes cause fluctuations in his income. But that is all irrespective of his own activity or investment. He has for the most part invested no capital and does nothing whatever to improve the land. For the most part landlords in India have inherited land, and have done no pioneering work. Their losses and gains are not related to their own activity or inactivity. Loss does not drive them out of the land and gain does not spur them to activity.

A new path for development

John Cole

Before the end of this century, another 1000 million will be added to the roll call of the desperate. Unless the problem of employment and under-employment can be solved, there is little hope of breaking the code of deprivation, which afflicts the poorest 40 per cent of the Third World population, says John Cole, deputy editor of the Observer, *London.*

THE CORE of the Third World's poverty is lack of work. About 300 million people in developing countries either have no jobs or else do work which is so unproductive that they cannot earn enough to support themselves and their families at a decent standard.

Before the end of this century, unless there is a dramatic change in the way we run our world, another 1,000 million people will be added to the roll-call of the desperate. Unless the problem of unemployment and under-employment can be solved, there is little hope of breaking the cycle of deprivation which afflicts, from one generation to the next, the poorest 40 per cent of the Third-World population.

new strategy

Where do we begin? The world is not lacking in ideas; the difficuity is to presuade people to put ideas into operation. In order to tackle that problem, the International Labour Organisation held a World Employment Conference in Geneva from June 4-17. It sought to propagate the new strategy which has emerged in the past five years among development experts, and most notably from the ILO's own research and comprehensive employment missions to seven developing countries.

The strategy represents a sharp change of direction from the policies which most countries have been following since the Second World War. It was understandable, particularly after independence, that countries in Asia, Africa and Latin America should seek to emulate the path of development which had created the high living standards in the industrial world. To do this they would have had to squeeze into a single generation the industrial revolution which, in the west, had spanned two centuries. This was impossible.

They concentrated on the growth rates in the small modern industrial sector of their economies, in the hope that this sector would pull the rest of the nation to prosperity with it. But it has now become obvious that this will not happen: at best, such a development path would leave the next two or three generations of the poorest people still impoverished. Some argue that it would be worse than this, that even after another two or three generations the gap between rich and poor in the Third World would be widening rather than narrowing.

basic needs

By contrast, the new strategy is aimed at the basic needs of the poorest people. Essentially, that means giving them the kind of work which will provide a roof over their heads, sufficient food, and other elementary human requirements: decent water supply and sanitation, schools for their children, medical care and transport to take them to work or market.

One startlingly simple fact lies
the centre of the new strategy: to h
the poorest people, you must prov
work where most of them are. P
bably four-fifths of the people in
Third World still live in rural are
so the international organisations a
now directing their primary effo
towards agriculture and rural indu
try. But chronic poverty in the cou
tryside has already driven millions
people into the slums of the gre
cities, and an additional effort
needed to build up the small-sca
industries and services which are t
only hope of livelihood for the
people.

drastic redistribution

All this represents a sharp chang
of emphasis, which has not yet bee
fully accepted by all governments
the developing countries. They a
being asked to concentrate their effor
not on the comparatively well-
people in the modern sector of the
economies—who often have most
the political influence—but on peop
who, in terms of politics, are of n
importance at all. It means a drast
redistribution of wealth and influen
within the Third World.

But it would also require sacrifi
from the industrial world. It
useless for the poor nations to develo
their agriculture and small-sca
industry unless they can find marke
for their products. More trade amon
the developing countries will provi
some markets, of course, but if the
are to make a real economic break
through and dramatically improve th
living standards of all their people i
one generation, they need help fro
the rich world.

Initially, that means aid—much mo

at present, and directed to the t kind of projects. But it also nts freer trade—in commodities, cessed agricultural products, and nufactured goods. That, in turn, plies a new international division labour. The rich world will have face the problems created for its vn industry and agriculture by the ility of the Third World to produce ore cheaply and efficiently items hich were once a monopoly of the west.

challenging task

The task, for both rich and poor ountries, is daunting. But the alternative to a great co-operative effort o cure the world's worst poverty by the year 2000 is a niggling, ungenerous human race, waging economic wars or even armed conflicts over the diminishing resources of the planet.

More and more people in the Third World are pouring into the cities. Many of them are forced to go. Perhaps the family farm is too small to sustain all the brothers and sisters of a large family, so some have to leave and seek a living in the city. Perhaps the Green Revolution, ironically, has hurt rather than helped them: a large landowner can make more profits by ejecting his tenants and farming with the help of large inputs of fertiliser and the kind of mechanisation they cannot possibly afford.

There are a dozen different reasons why they leave, among them the oldest reason of all: the adventurous spirit of the young, who want to go off and seek their fortunes in the cities.

However, there is no fortune at the end of the journey for many citydwellers, voluntary, or involuntary, in the poor countries. They finish up in the huge slums of the major cities of Asia, Africa or Latin America. Only two out of five can hope to find jobs in the modern sector. The rest will drift into what economists call the informal urban sector of the economy, eking out a subsistence living as odd-job workers.

The problem is likely to get worse. In 1950 only 16 cities in the Third World had populations over one million. There are now more than 60, and by the year 2000 there will be at least 200. By that date, it has been estimated, one in three people in Asia and Africa will live in cities. In Latin America, the process is further advanced. The growth of cities like Rio de Janeiro, Sao Paulo, Buenos Aires and Santiago appears unstoppable, and by 2000, three out of every four Latin Americans will probably be living in cities. Throughout the Third World, the cities may have to find room for as many as 1,000 million additional inhabitants.

can they survive ?

Can they survive? On present development patterns, the answer must be "no". Most governments in the developing world are still clinging to the hope that they can expand their manufacturing industry so rapidly that it will absorb many millions of new workers. They tend to blame the illiberal trading policies of the rich countries for their slow progress, and think that if there could only be a new international economic order, removing the obstacles to trade, all might yet be well.

This is much too simple and optimistic, however. Too much of Third-World industry consists of indigenous firms or multinational companies which have developed their manufacturing behind high tariff walls, and with exchange rates, credit facilities and tax policies tailored to their needs. In some cases, this is a sensible way to get industry started in a developing country, but it does not necessarily produce efficiency in the short-term.

Development experts are now urging governments in the Third World to change their development paths drastically. One of the first documents in this field is the report of the International Labour Organisation's employment mission to Kenya. It pointed out that the small family or one-man busineses of the Nairobi or Mombasa slums provided great opportunities for capital accumulation, as well as for the development of ingenuity and enterprise—qualities.

Poor people in Nairobi earn their living in a bewildering variety of ways. They make shoes out of old motor tyres. They carry on automobile repair businesses on street corners, bringing their tools and even quite heavy equipment in with them each day. They are street traders and cooks, scavengers and sweepers, cafe owners or taxi drivers. There is what amounts to an alternative culture, for many of the goods and services are provided by poor people and *for* poor people.

Indeed, it sometimes seems, in Nairobi and other major cities of the Third World, as if the authorities wanted to "forget their informal urban sector," as the economists who led the ILO Kenya mission put it. Whereas in Calcutta, half-a-century and more ago, the small engineering shops were encouraged to develop—and in Japan, Korea, Hong Kong and other Asian countries, much of the post-war growth started with the small men —too many city councils still put endless obstacles in their way. The licensing regulations are awkward and sometimes corruptly administered. The health standards—on paper at least —are impossibly high. The bulldozers have wiped out many little businesses and the housing estates which surround them.

imaginative help

What the slum-dwellers of the Third World need is more imaginative help. They ought to be given encouragement to improve their shanty homes, at least until such times as their governments have the money to provide better ones. They ought to get their share of the international aid; in industrial sites, credit, help to create marketing cooperatives, access to appropriate technology.

Grindlays Bank Limited

Registered in London under the Companies Act of 1862 on the 23rd March 1866. The liability of members is limited

BALANCE SHEET OF INDIAN BRANCHES

CAPITAL AND LIABILITIES

1974 Rs.	Rs.				1975 Rs.	Rs.
2 32 77 133.00		**Capital**	Amount deposited with the Reserve Bank of India under Section 11 (2) of the Banking Regulation Act, 1949 (Market-Value of Securities Lodged)		2 78 33 382.50	
2 19 60 000.00		**Reserve Fund and other Reserves**	**Head Office Reserve** (amount remitted in Sterling from Head Office)		2 19 60 000.00	
4 96 42 994.15			**Capital Reserve** on revaluation of Bank's Premises (including accumulated depreciation of Rs. 2777968.29 upto 31st December, 1966)		4 96 42 994.15	
60 72 325.06	7 76 75 319.21		**Revenue Reserve**		60 72 325.06	7 76 75 319.21
		Deposits and other Accounts	**Fixed Deposits**			
			From Banks	1 87 000.00		
184 24 87 244.42			From Others	192 02 14 701.57	192 04 01 701.57	
107 59 93 112.47			**Savings Bank Deposits**		113 30 55 688.13	
			Current Accounts, Contingency Accounts etc.			
			From Banks	3 50 92 503.15		
98 27 49 959.70	390 12 30 316.59		From Others	99 01 89 952.88	102 52 82 456.03	407 87 39 845.73
25 76 90 640.90		**Borrowings from other Banking Companies, Agents, etc.**	(i) In India		17 22 48 506.98	
3 06 94 446.41	28 83 85 087.31		(ii) Outside India		3 32 54 950.95	20 55 03 457.93
			Particulars:			
			18 19 78 692.95 (i) Secured *	4 55 71 026.72		
			10 64 06 394.36 (ii) Unsecured	15 99 32 431.21		
			* *See note 3*			
	16 01 04 438.93	**Bills Payable**				7 23 00 702.54
23 00 76 167.76		**Bills for Collection being Bills Receivable** *as per contra*	(i) Payable in India		23 30 10 506.08	
16 57 53 670.40	39 58 29 838.16		(ii) Payable Outside India		17 65 32 276.95	40 95 42 783.03
		Other Liabilities:	**Net Inter-Branch balances**			
69 24 487.09			(i) Head Office and Branches Outside India		2 91 65 773.16	
3 50 04 883.21	4 19 29 370.30		(ii) Branches in India		47 03 691.24	3 38 69 464.40
	8 18 16 706.51	**Acceptances, Endorsements and other obligations** *as per contra*				8 06 76 198.59
35 41 759.76		**Profit and Loss**	Balance brought forward from previous year		2 30 34 298.34	
2 30 34 298.34			*Add* Profit for the year brought from the Profit and Loss Account		1 26 17 177.52	
2 65 76 058.10					3 56 51 475 86	
35 41 759.76	2 30 34 298.34		*Less* Remitted to Head Office		75 49 748.34	2 81 01 727.52
1 13 62 156.50		**Contingent Liabilities**	Claims against the Banking Company not acknowledged as debts		67 329 92	
64 70 55 384.17			Outstanding Forward Exchange Contracts		74 65 26 829.01	
133 26 60 525.14			Confirmed Credits and Guarantees given		97 37 45 549 58	
43 58 300.00			In respect of partly paid shares		36 25 000.00	
6 44 50 000.00			In respect of Participation Certificates Issued		—	
	[illegible]					498 64 0[illegible] 498.95

Grindlays Bank Limited

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AS AT 31ST DECEMBER, 1975

OPERTY AND ASSETS

1974					1975	
Rs.	Rs.				Rs	Rs.
	20 08 26 907.97	**Cash**	In hand, with Reserve Bank of India, and State Bank of India (including foreign currency notes)			17 90 21 728.56
99 75 885.17		**Balances with other Banks** *(on Current Accounts):*	(i) In India		3 17 93 824.63	
7 66 612.13	1 07 42 497.30		(ii) Outside India		97 679.75	3 18 91 504.38
	8 00 00 000.00	**Money at call and Short Notice**				10 00 00 000.00
22 90 25 269.74		**Investments** *(at cost or under)*	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments		130 50 91 045.20	
			(ii) Shares			
			Fully paid Ordinary Shares	23 99 500.00		
83 48 601.00			Partly paid Ordinary Shares	36 25 000.00	60 24 500.00	
37 84 520.00			(iii) Debentures		3 27 983.75	
3 00 000.00			(iv) Other Investments		3 00 000.00	
—	124 14 58 390.74	*Particulars:*	(v) Gold		—	131 17 43 528.95
		1 23 60 05 869.74	*Quoted Investments at lower of cost or market value*	130 65 90 008.95		
		54 52 501.00	*Unquoted Investment at cost*	51 53 500.00		
		20.00	*At/below cost (cost Rs 64500.00)*	20.00		
		1 24 14 58 390.74		131 17 43 528.95		
		Advances *(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)*	(1) Loans, Cash Credits, Overdrafts, etc.			
			(i) In India	199 77 71 432.16		
192 26 36 335.77			(ii) Outside India	—	199 77 71 432.16	
			(2) Bills discounted and purchased *(excluding Treasury Bills of the Central and State Government)*			
			(i) Payable in India	43 24 29 014.72		
91 03 97 214.58	283 30 33 550.35		(ii) Payable Outside India	28 01 97 731.45	71 26 26 746.17	271 03 98 178.33
			Particulars of advances: *See separate Statement appended.*			
23 00 76 167.76		**Bills Receivable being Bills for Collection** *as per Contra*	(i) Payable in India		23 30 10 508.08	
16 57 53 670.40	39 58 29 838.16		(ii) Payable Outside India		17 65 32 276.95	40 95 42 783.03
	8 18 16 706.51	**Constituents' Liabilities** *for acceptances, endorsements and other obligations as per contra*				8 06 76 198.59
6 83 91 092.25		**Premises** *less depreciation*	At cost/valuation as at 31st December 1974		6 94 47 272.00	
13 56 179.75			Additions during the year		26 20 750.35	
6 97 47 272.00					7 20 68 022.35	
3 00 000 00			*Less* Sales and amounts written off during the year		25 50 658.67	
6 94 47 272.00					6 95 17 363.68	
36 95 427.55	6 57 51 844.45		*Less* Depreciation to date		47 38 963.69	6 47 78 399.99
2 28 26 336.05		**Furniture and Fixtures** *including vehicles and equipment Less Depreciation*	At cost as at 31st December, 1974		2 48 13 777.41	
53 92 376.05			Additions during the year		89 68 564.54	
2 82 18 712.10					3 37 82 341.95	
34 04 934.69			*Less* Sales and amounts written off during the year		20 65 210.17	
2 48 13 777.41					3 17 17 131.78	
1 02 49 695.20	1 45 64 082.21		*Less* Depreciation to date		1 33 90 849.68	1 83 26 282.10
3 09 94 023.67		**Other Assets**	Accrued Interest and Commission		4 99 22 637.56	
89 26 744.67			Sundries		9 46 885.00	
60 60 789.32			Stamps, advance rents, sundry deposits initial expenses, etc.		2 91 61 372 46	
—	4 59 81 557.66		Net Inter-Branch and Head Office Balances Outside India		—	8 00 30 895 02
	—	**Non-banking assets** *Acquired in Satisfaction of Claims*				—
	497 00 05 375.35					498 64 09 498 95

Grindlays Bank Limited

Continued

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1975

INCOME

1974 Rs.	(less provisions made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	1975 Rs.
37 45 52 707.49	Interest and Discount	46 86 33 762.31
6 89 36 133.00	Commission, Exchange and Brokerage	6 73 55 880.84
5 96 356.04	Rent	6 49 623.08
10 13 792.03	Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular Fund or Account)	6 08 615.45
—	Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular Fund or Account)	—
—	Income from Non-Banking Assets, and Profit from Sale of or Dealing with such assets	—
—	Other Receipts	—
44 50 98 988.56		53 71 47 781.68

EXPENDITURE

1974 Rs.		1975 Rs.
19 11 78 581.50	Interest paid on Deposits, Borrowings, etc.	22 00 20 747.51
10 56 48 775.30	Salaries and Allowances and Provident Fund	10 91 22 275.46
1 00 500.00	Directors' and Indian Advisory Board Members' Fees and Allowances	95 250.00
8 25 92 621.92	Rent, Taxes, Insurance, Lighting etc.	14 94 16 161.73
6 51 013.60	Law Charges	11 79 374.63
16 21 746.84	Postage, Telegrams and Stamps	20 93 330.10
1 20 000.00	Auditors' Fees (including Rs. 1,00,000 for branch auditors)	1 20 000.00
90 79 255.89	Depreciation on and Repairs to the Banking Company's Property	95 16 462.50
56 17 135.03	Stationery, Printing, Advertisement etc.	55 34 564.47
—	Loss from Sale of or Dealing with Non-Banking Assets	—
2 54 55 060.14	Other Expenditure	2 74 32 437.76
2 30 34 298.34	Balance of Profit	1 26 17 177.52
44 50 98 988.56		53 71 47 781.68

1974 Rs.	Note: Particulars of remuneration relating to General Manager in India:	1975 Rs.
75 478.00	(i) Salary	78 880.00
46 615.00	(ii) Allowances	36 060.00
28 039.00	(iii) Monetary value of any other benefits or perquisites (including Rs. 1100.00 for which approval of Reserve Bank of India is awaited)	37 845.00
1 50132.00		1 52 785.00

PARTICULARS OF ADVANCES

1974 Rs.		1975 Rs.
218 37 30 850.36	(i) Debts considered good in respect of which the Banking Company is fully secured	224 35 67 928.26
22 05 58 391.06	(ii) Debts considered good for which the Banking Company holds no other security other than the Debtors' personal security	9 80 12 176.06
42 87 44 308.93	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	36 88 18 074.01
—	(iv) Debts considered doubtful or bad, not provided for	
283 30 33 550.35		271 03 98 178.33
57 74 668.38	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	65 85 450.95
—	(vi) Debts due by Companies or Firms in which the Directors or the Banking Company are interested as Directors, Partners or Managing Agents or, in the case of Private Companies, as members	—
63 44 598.57	(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	76 52 199.99
—	(viii) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or, in the case of Private Companies, as member	—
31 48 324 68	(ix) Due from Banking Companies	40 61 511.63

Grindlays Bank Limited

Continued

ACCOUNTING POLICIES

1. Premises
Freehold and leasehold premises are included at cost or at professional valuations carried out in 1966 and 1973.

2. Depreciation
Depreciation on furniture and fixtures and properties, other than leasehold premises, is charged on a straight line basis. The leasehold premises are amortised over the period of leases.

3. Foreign Currencies
Assets and Liabilities in foreign currencies have been converted at the rates ruling at end of the year except for contingent liability in respect of forward exchange contracts which have been converted at the rates contracted.

NOTES

1. Staff Retirement Benefit
Under the existing retirement benefit scheme, employees are entitled to gratuity/pension at their option and these benefits are treated in the accounts consistently on a cash basis as and when they arise. The present liability for future payment of gratuity/pension under the bank's scheme has not been ascertained. However, the bank has set up a Pension Fund with effect from 1st January 1973 and the approval thereto of the Commissioner of Income Tax is awaited. A sum of Rs. 208 lacs (including the annual contribution of Rs. 100 lakhs for 1975) has already been paid to the Fund.

2. Items-in-Transit
Items-in-Transit between branches have not been adjusted to the respective heads of accounts but have been retained in the respective inter-branch accounts.

3. Secured Borrowings
The "secured" borrowings are secured against the corresponding secured advances to customers.

4. Deferred Taxation
The practice of accounting for taxation deferred as a consequence of timing differences for provision for doubtful debts, not currently deductible for tax purposes, has been discontinued. Deferred taxation account has been closed by a charge in these accounts.

5. Income Tax—Contingent Liability
The proceedings initiated under Sections 147/148 of the Income Tax Act, 1961 in respect of which the Calcutta High Court has granted a stay, remain to be disposed of. Assessments of some years are in dispute on account of certain disallowances by the Income Tax authorities in respect of which appeals have been lodged. The liability, if any, relating to these, is not ascertainable at this stage.

6. Ex-gratia Payment
The bank has not received instructions from the Central Government for any ex-gratia payment to the staff and accordingly no provision has been made in these accounts for any such payments.

7. Re-arrangement of Previous Year's Figures
Previous year's figures have been re-arranged wherever necessary.

A.K. Basu
Controller

K. Warner
Regional Director, South Asia

AUDITORS' REPORT

We have audited the above Balance Sheet of the Indian branches of Grindlays Bank Limited as at 31st December 1975 and the relative Profit and Loss Account in which have been incorporated the returns from 42 branches (including 4 General Managers' Offices) audited by Messrs Lovelock and Lewes who were appointed as Branch Auditors of the Bank's branches in India with the approval of the Reserve Bank of India and the unaudited returns from 18 branches for which the Company Law Board has granted exemption under Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961 from the provisions of Section 228 of the Companies Act, 1956. The reports of the Branch Auditors in respect of the branches audited by them were forwarded to us and have been dealt with in preparing our report in the manner considered necessary by us.

Under the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Sub-sections (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

On the basis of the audit indicated in the first paragraph, we report that—,

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account, as required by law, have been kept by the branches so far as appears from our examination of the aforesaid returns and these returns have been found to be adequate for the purpose of our audit;
3. The above-mentioned Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account and returns;
4. In our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account together with the notes thereon, give the information required by The Companies Act, 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives, subject to Note 1 thereon regarding Staff Retirement Benefit, a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st December 1975 and the Profit and Loss Account gives, subject as aforesaid, a true and fair view of the Profit of the Indian Branches for the year ended on that date.

A. K. CHAKRABARTI
Partner
For and on behalf of Price Waterhouse Peat & Co. Chartered Accountants

Calcutta, 12th April 1976

Hindustan Aluminium Corpn. Ltd.

Chairman's Statement

The Seventeenth Annual General Meeting of the Company was held on June 14, 1976 in Bombay. The following statement was read out to the shareholders by the Vice Chairman, Mr. A. V. Birla, in the absence of Mr. G. D. Birla, Chairman.

Dear Shareholders,

I welcome you all to the seventeenth annual general meeting of your company. You will recall our meeting last year, when I began my speech on a melancholy note, but at the same time, indicated to you, that we can see light, at the end of the dark tunnel. As after every night there is a sunrise, I feel that we can now see the first rays of dawn breaking over the horizons, and we can look forward with reasonable optimism to a satisfactory future for your company.

The past years have been difficult, because of external circumstances, beyond our control. The primary reasons for the adverse financial results, were the lack of power supply from the U.P. State Electricity Board, and an unrealistic pricing policy followed by the Government. Throughout this period of crisis, the quality of management and efficiency of plant operations under very adverse circumstances, continued to be at a very high level, of which the shareholders can be proud of.

During the course of the last one year, there has been a considerable and meaningful change in the Government's attitude, thinking, and action towards creating a healthy climate for industrial growth. The Government at long last realised, that the interest of industries and that of the nation do not diverge. A pragmatic approach has been adopted, conducive for the development of industries. The 20 point programme, the step up in the plan outlay by 31.6 per cent, and the inculcation of discipline, amongst workmen and staff, after the declaration of emergency, have all helped industrial production. The aluminium industry has also benefited by the various measures, that have been taken by the Government, to increase the production of aluminium in particular.

During the year under reveiw, even though the production was substantially higher at 62427 tons as compared to 44002 tons in the previous year, the full installed capacity could not be utilised, due to restrictions and severe cuts in the power supply. You will recall that your Company was assured continuous, and uninterrupted supply of 55 MWS of power by the U.P. Electricity Board, but the board was not able to keep up the supplies, and had imposed cuts year after year. In January 1975, there was a power cut of 67 per cent which continued upto August 1975. Even during this period, at times the UPSEB cut 100 per cent of their power supply. This was not the end of our woes — the Board, not only, did not give any power, but requisitioned some power under D.I.R. from your Company's captive power house. This resulted in shutting off a large number of pots. The cuts in power supply caused a tremendous loss to the company, as we have explained in the Directors' Report. However, as I have mentioned, things took a turn for the better, since the announcement of the Government's New Policy on the Aluminium Industry. In the second half of last year, after the fixation of the new rates of power at 7 Paise and 11 Paise respectively for Hydel or Thermal Power, incidentally, we have to pay 11 Paise — UPSEB started releasing more power and consequently, restarting cold pots was undertak by your Company. present, your plant is r ning at a capacity of abo 84,000 tons per annu against the installed ca city of 95,000 tons. O captive Renusagar Pow Plant has also been co pletely overhauled, with t result that at present v are getting the maximu power units from the pla — more than ever obtaine before. Thus, with th improved power supp position, we hope that th full installed capacity woul be put into operation durin the next few months.

With the revised pricin policy of the Governmen 50 per cent of the production is to be supplied a levy aluminium, at price fixed by Government an the balance 50 per cent i sold in the market, as no levy metal at market prices This has enabled your company to obtain a bette realisation for its products sold in the market.

The prices of levy good which were fixed last yea were effective till 31st March 1976 only. The new prices have yet to be announced by Government. This has become extremely essential on account of considerabl increase in the cost of production. The selling prices for the non-levy goods, according to Government's policy, should give producers sufficient margin, to cover depreciation and profit, not only for the non-levy goods, but also in respect of levy goods, which have to be sold without any element of profit or even preciation. The price ed, for the levy metal is, the basis of what the overnment calls "Actual ash Outgo". However, the rices so fixed, do not ssure, even the actual cash utgo, on account of the ver rising cost of production. We hope that the Government will consider ll the aspects of cost increases and announce the new prices at the earliest. The off-take of aluminium has improved in India with the reduction in Excise Duty on non-levy goods in the last Budget. However, a further reduction is called for, to make its price viable and competitive with other alternate metals. The accumulation of stocks with the producers has been cleared by exports. Your Company took the lead in this and exported 7872 tons valued at about Rs 5 crores. Thus, the present stock with the producers can be considered as within 'normal limits'. We hope that the Government would realise that it is essential to create a permanent-export market, which can only be established by continuous exports. Then only, will the foreign importers, have confidenee in us, and would rely on supplies from India, and base their own long-term purchase programmes accordingly.

With the improved off-take in India and continued exports and also with the improved availability of power, it is hoped that we would be able to put our full installed capacity into operation, before the end of this year. The Government has announced a scheme for Excise rebate on the increased production over a pre-fixed level, which is a very welcome step. We are awaiting publication of the full details of the scheme. Your Company is actively examining the possibility of expansion of the plant by installing an additional 25,000 tons of Reduction capacity and a complete Alumina Plant of 70,000 tons per year. The fabrication facilities would also have to be expanded and new alloys would have to be developed, to meet the current demand. Subject to the availability of adequate finances, the expansion is expected to take three to four years to be put into operation.

The first half of this year, has seen, what may be termed as a "post treatment, recuperative period", which a sick patient has to undergo after a long-illness. It is, however, hoped, that the next half year would give better results, and it may be possible for the Company, at least to clear all the arrears of Preference Dividend from the current year's profit.

N.B.: This does not purport to be a report of the proceedings of the Annual General Meeting.

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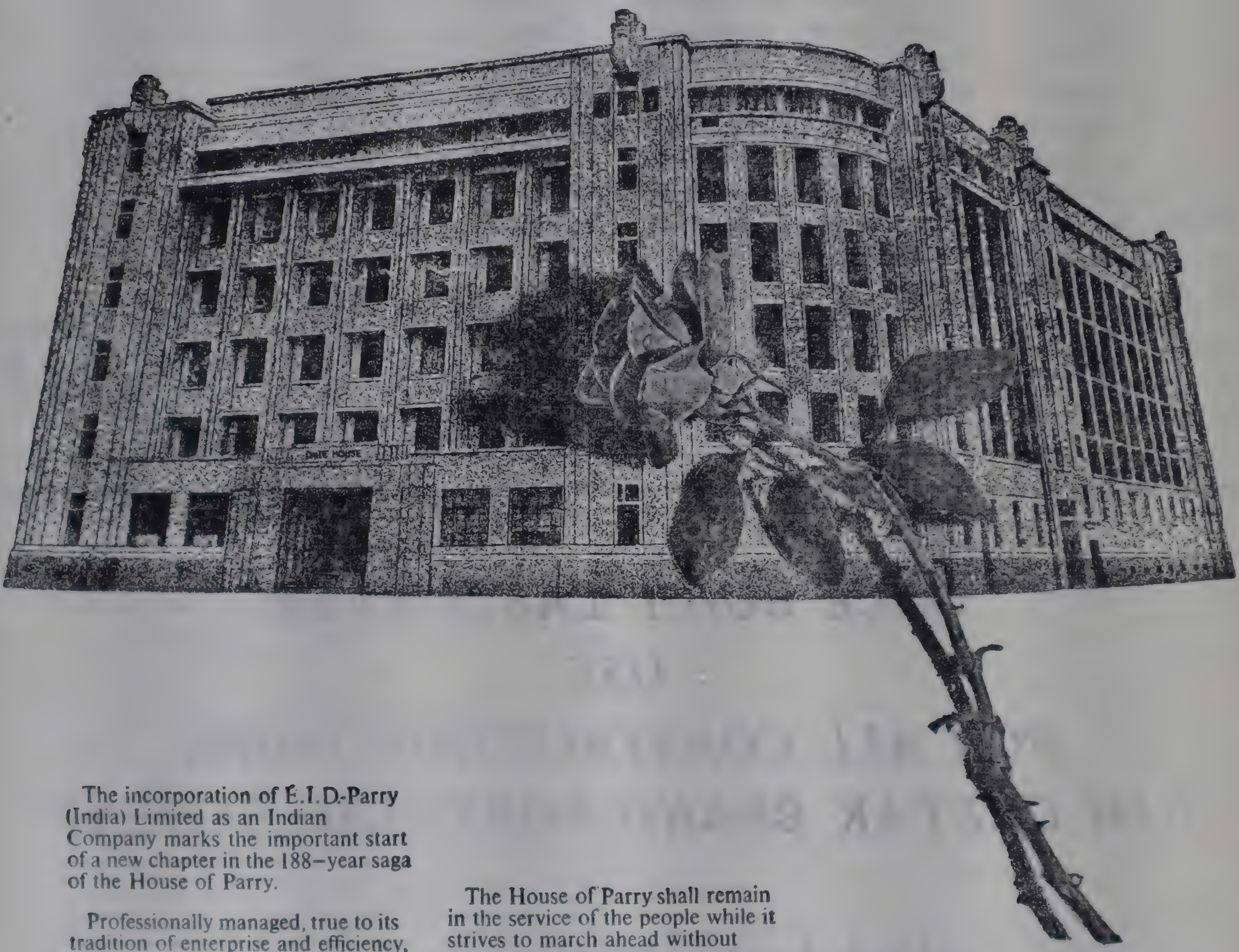
The House of Parry becomes Indian



The incorporation of E.I.D.-Parry (India) Limited as an Indian Company marks the important start of a new chapter in the 188–year saga of the House of Parry.

Professionally managed, true to its tradition of enterprise and efficiency, its responsibilities to the country, the people and the vast spread of shareholders, this Company now looks for even greater growth.

In the fields of Fertilizers, Farm-Inputs, Ceramics, Chemicals, Petro-Chemicals, Sugar, Confectionery, Electronics, Engineering, Shipping and Transport, Marine Products, the marketing of Consumer Goods and Exports, the involvement is already high. The scope is now more in fresh, diversified, new industries and trading. The various industrial projects which had to wait for this Indianisation would soon be implemented.

The House of Parry shall remain in the service of the people while it strives to march ahead without restrictions or inhibitions.

There exist today only a few companies of the size and scope of Parry's, so wide and diverse.

The people at Parry's have always remained conscious of the inter-related needs of their shareholders, employees and the public. The House of Parry re-dedicates itself to the task.

Indianisation is perhaps the greatest expression of this consciousness which has been growing and the House of Parry is now set to meet the challenges for a great future.

National in constitution and international in outlook, the House of Parry is now poised for newer heights.

Parry's

E.I.D.-PARRY LTD., CHANGES TO
E.I.D.-PARRY (INDIA) LTD.

TRADE WINDS

Central Loans

THE GOVERNMENT of India has announced the issue of three government of India loans aggregating Rs 475 crores. The loans are:, (i) 5½ per cent Loan 1984 to be issued at Rs 99.50 per cent and repayable at par on July 1, 1984. (ii) 6 per cent Loan 1994 to be issued at Rs 98.00 per cent and repayable at par on July 1, 1994. (iii) 6½ per cent Loan 2000 to be issued at Rs 100.00 per cent and repayable at par on July 1. 2000. Subscriptions to the above loans will be received in the form of cash/cheque or securities of 4¼ per cent Loan 1976. Subscriptions will be received from July 1 to July 3, 1976 (both days inclusive) but the subscription lists may be closed earlier without notice as soon as the total subscriptions amount to Rs 475 crores. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest at the rate of 4¼ per cent per annum on the securities of 4¼ per cent Loan 1976 tendered for conversion will be paid upto and inclusive of June 30, 1976 at the time of issue of new securities. Interest on all the loans will be paid half-yearly on January 1 and July 1. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

Wealth Tax Exemption

The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investment specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs 1,50,000.

The budget for 1976-77 assumes a net receipt of Rs 535.06 crores (gross borrowings Rs 810 crores, repayments Rs 274.94 crores). 4¼ per cent loan of 1976 with a maturity of Rs 260.16 crores is due for discharge on July 1, 1976. The first instalment of central loans to be floated on July 1, 1976 will be for a notified amount of Rs 475 crores. With the retention of excess subscriptions up to 10 per cent the gross yield will be Rs 522.50 crores. After discharging the maturity of Rs 260.16 crores the net receipt is expected to be Rs 262.34 crores.

Risk Capital Foundation

The Risk Capital Foundation, a body sponsored by the Industrial Finance Corporation of India to provide seed capital for new entrepreneurs and technicians has sanctioned two soft loans aggregating Rs 10.65 lakhs in respect of two applications. The loans from the Foundation are interest-free. These loans carry only a nominal service charge of one per cent per annum on the amount outstanding. The loans will be repaid by the promoters out of their own income including income from dividends.

The first loan sanctioned by the Foundation is for a sum of Rs 5.55 lakhs to three technologists and new entrepreneurs who are promoters of Triton Valves Ltd. Each of the three promoters will receive Rs 1.85 lakhs. With the supplementary soft loan assistance from the Foundation, the promoters would now be able to vide the promoters' contribution of Rs 11.20 lakhs required for implementing their project with a capital cost of Rs 1.10 crores jointly with Karnataka State Industrial Investment and Development Corporation Ltd. The project envisages the manufacture of automobile tyre and tube values with an installed capacity of 4 million value stems and 6 million cores per annum in technical collaboration with Messrs. WS, Italy. This would be the second project of its kind in the country.

The Foundation has also sanctioned a loan of Rs 5.1 lakhs to three promoters of Aryavarta Plywoods Ltd, each of whom will receive assistance of Rs 1.70 lakhs. With the supplementary soft loan assistance from the Foundation the promoters would be able to provide promoters' equity contribution amounting to Rs 15.30 lakhs required for establishing their project with a capital of Rs. 1.02 crores. The project which is being located in Badli Industrial Estate, union territory of Delhi, envisages the manufacture of plywood, flush doors and block doors with an installed capacity of 9.67 lakh square metres per annum on 4 mm thickness basis.

Indo-Soviet Cooperation

This country has signed two contracts and a protocol with the Soviet Union in Moscow for the supply of Ranchi-made metallurgical equipment for projects in third countries. Under the first contract, India will deliver coke oven equipment for a Soviet-aided steel mill in Bulgaria. Under the second India will deliver some electrolyser pots, agreed on in April, to an aluminium plant in Yugoslavia being built with the Soviet help. The protocol is for the supply of giant cranes to Cuba. These two contracts give India, a place among the 10 metallurgical equipment exporting countries of the world. In terms of value, the aggregate of the contracts is still relatively small. But it is significant as precursor to expanded cooperation in production and collaboration in third country projects visualised in the declaration signed by the prime minister, Mrs Indira Gandhi recently in Moscow. A Soviet expert team will visit to India within 10 weeks to finalise programme of collaboration extending to 1980 or beyond, such long term programme will enable India to ensure full utilisation of existing capacities and to plan increases where necessary.

Textile Exports to ECM

India has met with partial success in securing ad hoc quota for textile exports to European Economic Community. While increases have been allowed for Belgium and West Germany, decision in respect of others have been deferred. Negotiations for ad hoc quota was conducted by a team headed by the textile commissioner recently. According to decisions reached India could export an additional 10 per cent of quota fixed for Belgium for bed linen. In the case of West Germany, the additional ad hoc quota granted for shirts and blouses is 6 per cent. In terms of metreage, the additional exports to Belgium and West Germany works out to 680,000 metres. In respect of other members of the community, it was pointed out that India h
no case for additional quo
since the performance duri
the current year was ve

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portsgoods Export

A National Seminar on oductivity in marketing sportsgoods abroad' was augurated recently by Mr .P. Sharma, union inister of State for dustry and Civil Supplies. he Sportsgoods Export romotion Council, the CSSI, and three other eading organisations—the ndian Standards Institution, the Central Leather Reseach Institute, and the Trade Development Authority—joined hands with the NPC in convening this seminar. Though, the industry is concentrated in Jullundur, Meerut and Moradabad, there are some units located in Allahabad, Bombay, Calcutta and Delhi too. Mr Sharma pointed out that exports of sportsgoods have gone up from about Rs one crore in 1967-68 to about Rs 10 crores in 1974-75, but our share is just less than one per cent of world trade in this item.

World Meet on Freight Containers

India participated in the meeting of Technical Committee on Freight Containers of the International Organization for Standardization (ISO), recently held at Washington (USA). The two-member Indian Delegation comprised Capt B.L. Batra, Cargo Superintendent, Scindia Steam Navigation Co. Ltd, Bombay and Capt V. Subramanian, Marine Superintendent, Shipping Corporation of India Ltd. As a participating member of this ISO Technical Committee, India has been taking active part in the standardization of freight containers. In the recent meeting, a number of important draft international standards relating to freight containers, which are of great significance to India, were discussed. Special mention may be made of the proposals to increase the existing height of certain types of containers and to include sizes for certain other types of containers in international standards.

Meeting on Hard Fibres

Mr A.P. Sharma, minister of State for Industry and Civil Supplies, was the leader of the Indian delegation to the Inter-governmental meeting on Hard Fibres, held at Rome on June 17, 1976. It was organised by the Food and Agriculture Organisation. This counrty was deeply interested in this meeting in view of the vast expansion contemplated for our coir industry. The meeting assumed greater significance after the recent successfull agreement with the European Economic Community (EEC) in regard to reduction in import duty on coir products and cooperation between the coir industry in the EEC and India. The meeting reviewed the trends in world trade of coir products, latest developments in technology, transfer of technology from the developed to the developing countries and cooperation between the producing and the consuming countries in order to protect the larger interest of this industry.

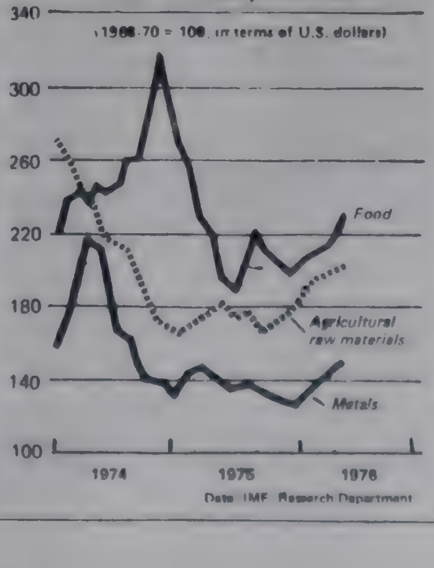
Developing Technological Talent

Cement Research Institute of India (CRI) has framed a long term Technological Talent Development Programme to build up a meaningful technological support to the cement, cement machinery, construction and allied industries. Under the programme, CRI would regularly conduct need-oriented applied training courses to help working personnel keep abreast with the latest developments and improve their abilities to apply the new knowledge thus gained in their respective work situations. The courses would also help bring about an interaction between the newer technologies and the industry and serve as an effective medium of technology transfer.

World Commodity Prices

The prices of primary commodities have shown an uninterrupted recovery since December 1975. By May 1976, the aggregate index in terms of U.S. dollars (1968-70=100) had reached an average of 205, about 17 per cent higher than the December index of 175. All three commodity categories contributed to the increase in the overall index, with December to May gains of 19 per cent for food, 15 per cent for agricultural raw materials, and 16 per cent for metals. The recovery in world economic activity has been the principal factor underlying the recent rise in commodity prices, particularly for metals and agricultural raw materials. The price of copper rose by about one third between December and May. The rise in tin prices was about 20 per cent while that for natural rubber was 29 per cent. As regards food, the rise is based largely on price increases in three commodities-coffee, coca and beef. A sharp increase in coffee prices (by 59 per cent) is attributable to lower coffee supplies from Brazil, the leading producer.

Index of Export Prices of Primary Goods



Data: IMF Research Department

So far there had been a shortage of the specialized technical personnel available to the cement and allied industries in the country forcing the industries to recruit broad-based technologists and engineers with general background of chemical, mechanical, electrical or civil engineering or pure sciences and to leave them to learn their work and responsibilities the empirical way.

No Export Duty on Coir-Yarn

The government has abolished the export duty on coir yarn. The measure comes in the wake of requests from many European countries for the abolition of export duty which was levied at the rate of 15 per cent ad valorem, says an official press release. The European Economic Community (EEC) has agreed to reduce import duty by 80 per cent with effect from January 1, 1976. They have also agreed to abolish the import duty totally from January, 1978.

Dealers' Commission on Petrol

The government has decided to revise the dealers commission on the sale of motor spirit (petrol); high speed diesel oil etc. with effect from July 1, 1976. The Oil Prices Committee recommendations in this regard have been accepted by the government. The Committee considered that a uniform rate of commission for all retail outlets, irrespective of volume of sale would be detrimental to the interests of low volume outlets, but at the same time give unintended profits for high volume outlets.

Sliding Scale

The Committee has, therefore, recommended a sliding scale of commission (three slabs) for retail outlets of different throughput levels. The three slabs are 1 to 360 kls. sale of combined motor spirit and HSD per annum, 361 to 720 kls. per annum and over 720 kls. per annum. The sliding scale of commission would give a higher margin to low volume outlets. To ensure uniformity in the selling prices of motor spirit and HSD at all retail outlets of verying through puts at a given place, it has been decided to have a uniform total commission of Rs 65 per kl. for motor spirit and Rs 40 per kl. for HSD as against Rs 41.80 and Rs 17.60 per kl. respectively in vogue since 1954-55.

The pooling mechanism will be operated by the oil companies. The government of the view that with the revision in the rates of Commission of motor spirit and HSD, the levy of service charges by the retail outlets will be discontinued. At present, the retail outlet dealers are imposing a service charge ranging from 1 to 5 paise per litre. With the discontinuance of the service charges there should not be, in general, any increase in the ultimate price charged to the consumers.

Names in the News

Mr T. Brian Finn has taken over as the new General Manager of the IBM Asia, South Region, headquartered at New Delhi. As the IBM region chief, he directs the company operations in India, Sri Lanka, Bangladesh, Nepal and Afghanistan. Mr Finn brings to his new assignment a fund of rich experience. He is a top systems expert and has made significant contribution to the application of computers in the development fields like steel and oil.

Mr T. Brian Finn

Government of India

5½ Per Cent Loan 1984 to be Issued at Rs 99.50 Pe
Cent and Repayable at par on 1st of July 1984.

6 Per Cent Loan 1994 to be Issued at Rs. 98.00 Pe
Cent and Repayable at par on 1st of July 1994.

6½ Per Cent Loan 2000 to be Issued at Rs. 100.00 Pe
Cent and Repayable at par on 1st of July 2000.

Subscriptions to the above loans will be received simultaneousl and will be limited to a total of Rs 475 crores (approximately Subscriptions may be in the form of (i) Cash/cheque or (i securities of the 4¼ per cent Loan 1976 which will be accepted fo conversion at par. Government reserve the right to retain subscriptions upto ten percent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed th notified figure plus the amount of ten per cent retainable a aforesaid, partial allotment will be made in respect of the cas subscriptions received and the balance refunded in cash as soon a possible. Interest on the securities of 4¼ per cent Loan 1976 wil be paid at the rate of 4¼ per cent per annum upto and inclusive o 30th June 1976 at the time of issue of the new securities.

3. Interest on the loans will be paid half yearly on 1st Januar and 1st July. Interest on all the loans now issued together-wit interest on other previous Government securities and income for other approved investments will be exempt from income-ta subject to a limit of Rs 3,000 per annum and subject to othe provisions of Section 80L of the Income-tax Act, 1961. The valu of the investments in the loans now issued together with the valu of other previous investments in Government securities and othe investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

4. Subscription lists will open on the 1st of July 1976 and also on 3rd of July 1976 or earlier without notice.

Applications for the loans will be received at :—

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
(b) branches of the subsidiary banks of the State Bank of India conducting Government Treasury work except at Hyderabad; and
(c) branches of the State Bank of India at other places in India.

5. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.
(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
(iii) The Half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges; in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs 20/- no money order commission will be charged.
(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the certificates in the manner prescribed therein.
(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.
(vi) For any futher clarification, please apply to any of the Offices or branches mentioned above.

COMPANY AFFAIRS

indalco

IE WORKING results of the industan Aluminium Co d have shown improveent during the year ended ecember 31, 1975 and it ight be possible for the ompany, at least, to clear ll the arrears of preference ividend from this years' profits. Mr Aditya V. Birla, vice-chairman of the company, who presided at the annual general meeting in the absence of the chairman, stated that the company's plant during the past five months was running at the rate of about 7000 tonnes per month or 84,000 tonnes per annum against the installed capacity of 95,000 tonnes per annum.

The captive Renusagar power plant of the company was over-haulded during the year and was giving maximum power. With this improved power supply position, the company hopes to put into operation its full installed capacity during the next few months.

The company is actively examining the possibility of expanding its capacity to 120,000 tonnes per annum by installing an additional 25,000 tonnes of reduction capacity and also a complete alumina plant of 70,000 tonnes capacity per annum. Mr Birla has pointed out that subject to the availability of adequate funds, the expansion is expected to take three to four years and is estimated to cost about Rs 55 crores.

Revised pricing policy of the government—50 per cent of production to be supplied as levy aluminium at prices fixed by the government and the balanee 50 per cent to be sold in the market—has enabled the company to obtain better realisation for its products in the market. With the reduction in excise duty on non-levy goods in this years' budget the offtake of metal has improved in the domestic market. Mr Birla called for a further reduction in excise duty to make the product price more viable and competitive against other alternate metals.

The company exported 7872 tonnes of its products valued at about Rs 5 crores during the year 1975, and in the process was able to clear nearly all of its accumulated stocks. Mr Birla stressed the need for continuous exports to create a permanent export market.

Mackinnons' Landing Craft

The 500 ton DWT landing craft specially built by Mackinnon Mackenzie & Co. Ltd. for Gulf Marine Operations, Bahrain was launched on June 13. The landing craft, first of its kind to be built in India, has been designed to have maximum manoeuvrability in the limited draft of Gulf waters. The vessel will be handed over to its owners by the end of this month.

Bharat Commerce

The directors of Bharat Commerce and Industries Ltd have recommended equity dividend of Rs 1.50 on 25,00,000 equity shares of Rs 10 each for the year ended December 31, 1975. This dividend will be paid in three instalments of Rs 0.70, Rs 0.40 and Rs 0.40 respectively, in accordance with the Companies (Temporary Restriction on Dividends) Act, 1974. The equity dividend absorbs a sum of Rs 37.50 lakhs. The directors have also made provision of Rs 4.23 lakhs for payment of dividend on cumulative redeemable preference shares.

Inspite of a sharply reduced demand the sales of the company recorded an increase from Rs 36.50 crores in 1974 to Rs 42.08 crores in 1975, a rise of nearly 15 per cent. On account of delays in the supply of machinery the company was unable to complete its expansion of Nanjangud Unit No 2 during 1975.

The company was hampered in its export efforts because of a ban on the export of staple fibre yarn by the government. Strong representations have been made to the government to lift the ban on export of staple fibre yarn in view of a firm overseas demand and substantial foreign exchange earning potential of the product.

P. T. Horizon Syntex, the company's joint venture project in Surabaya, Indonesia was completed according to schedule. The trial production started in September 1975, and commercial production is expected to start very soon.

During the year under review the aviation division of the company entered into an agreement with the Punjab government for aerial spraying of over 15,000 acres of land under cotton cultivation by one helicopter and two fixed winged aircrafts. The spraying which started in July was completed by October 1975. Also during the year the company continued its pipeline patrolling operations for M/s Oil India Ltd.

The Rajpura unit of the company secured the running trophy for largest reduction in accident (frequeny rates) in the Textile (Cotton) Industry category instituted by the Punjab Labour Department, Chandigarh.

Larsen & Toubro

Larsen & Toubro Limited has reported excellent working for the year ended March 31, 1976, with sales and profit reaching new heights. The good performance of the company has led the directors to maintain the dividend at 18 per cent on the increased capital. During the year, the equity share capital of the company has gone up to Rs 7.45 crores as a result of an issue of right shares. The dividend will absorb Rs 144 lakhs this year against Rs 117 lakhs in the previous year. The directors also propose a bonus issue in the ratio of 1:2 by capitailising Rs 3.84 crores out of the reserves.

Sales and other income of the company at Rs 72 crores are 19 per cent higher than the previous year's figure of Rs 61 crores. Profit before tax at Rs 862 lakhs (previous year Rs 604 lakhs) has gone up by 43 per cent. The order backlog is at a satisfactory level. For the first time in its history, the turnover of the L &T gtoup of companies crossed the Rs 100-crore mark, reaching a figure of Rs 113 crores as against Rs 93 crores in the previous year.

EID-Parry

EID-Parry Ltd which was incorporated in United Kingdom as East India Distilleries and Sugar Factories Limited in 1897, has now become an Indian Company called EID Parry (India) Ltd. Although complete conversion into an Indian company has just taken place now, the company has since 1948 been managed and controlled from Madras. Parrys had been encouraging recruitment of Indians to the higher grade posts for a number of years and their numbers had been steadily increasing. The policy of Indianisation of management staff originated as far back as 1925 when the idea was more of a novelty in business circles than it afterwards became. It paid good dividends bringing out to the highest managerial posts in the firm such men as Messrs S. Krishnamurthi, K.P. Ramswami and K. John.

In February 1948, the seat of management and control of the co
was transferred to
and a new board of
tors consisting wholel
residents in this co

NATION REGAINS
SPIRIT OF ADVENTURE 1975-76

New life in villages

- Over six and half million house sites alloted; 368,000 of them developed, Construction of 246,000 houses completed.
- Bonded labourers numbering about 47,000 freed.
- Land ceiling laws yield 1,667,000 acres of surplus land, out of which 424,000 acres have been allotted so for, Beneficiaries number nearly 180,000.
- Nineteen Rural Banks set up; 50 more planned during 1976-77. Co-operative credit institutions strengthened.

davp 76/88

presidigg over the des- of the EID-parry p of companies. Year was an epoch making when the late R. Srinivasan donned mantle of chairman- as the first Indian. He followed by Mr H.V.R. gar, who has been succeded by the present chair- n, Mr R. Venkataswmy idu.

While the transfer of the ntrol of the board of the erling company in 1948 Dare House was unique itself, what is most signicant is the building up of team of professional anagers designated as pecial directors and the ormation of an able core f management staff.

New Projects

With the functioning of the Indian company, the way has been cleared for the implementation of the new projects. In the next decade, the management will be extremely busy with the execution of those schemes.

An industrial licence has already been secured from the government for expanding the cane crushing capacity of the Nellikuppam factory to 4,000 tonnes from 2,750 tonnes daily in stages. The investment in the Ennore fertilizer factory is also proposed to be made more effective and a letter of intent has been obtained from the authorities for undertaking the manufacture of Methanol, STPP and Argon gas as a diversification of the existing Ennore factory.

Zenith Steel Pipes

The annual accounts of the Zenith Steel Pipes & Industries for the year ended April 30, 1976 show a decline in the sales to Rs 19.65 crores against Rs 26.22 crores during the previous year. The directors have proposed to provide the sum of Rs 25.07 lakhs towards depreciation and Rs 22.80 lakhs for taxation. Profit after taxation is Rs 31.24 lakhs. Taking into account the excess provisions for earlier years written back of Rs 10.67 lakhs, an amount of Rs 49.90 lakhs is available with the directors. This amount has been transferred to general reserve.

The directors have recommended a dividend of Rs 1.25. Last year the dividend initially recommended by the board was rupee one per share. Subsequently, pursuant to the provisions of the Companies (Transfer of Profits to Reserve) Rules 1975, the dividend was increased to Rs 1.27.

Production of steel pipes during the year under review was 15 per cent lower than last year. Rolls & shears division has maintained its progress. Exports from this division during the year amounted to Rs 3.42 lakhs. Products of the company have been well received in the foreign markets. Special steels division's production of steel billets during the year was 13,000 tonnes. Very severe power cut during the entire year adversely affected the company, particularly, this division. The power cut was as high as 46 per cent in December 1975/January 1976 and the minimum power cut at any time during the year was 26 per cent.

The total FOB value of pipe exports during the year under review was substantially lower at Rs 4.04 crores. The per tonne realisation also fell. The fall in the export business was due to recessionary conditions in the international market. Since the last quarter of 1975-76, foreign customers of the company have evinced renewed interest in buying. Zenith Pipes created a record in export of steel pipes by shipping, during the year, in one lot about 5400 tonnes pipes to Iran.

Sandoz

The turnover of Sandoz India in the first five months of 1976 increased by nearly 32 per cent over the previous year, according to Dr J.N. Banerjee, Managing Director, in his address to shareholders at the annual general meeting held recently. There were notable differences in turnover between the divisions due to varying market conditions. The activities in the agrochemicals field had to face a number of difficulties during the past few months. The company expected, however, that the pesticide market situation would improve, although the outcome of the monsoon is still an unknown factor. By and large, the company is optimistic and hopes to achieve a reasonable growth in turnover and present satisfactory results, even if profits may not grow in line with turnover.

An important development in the agrochemical sector to which Dr Banerjee drew attention, was the government's decision to completely withdraw the concessional customs duty on raw materials required for the production of basic chemicals for pesticides. The customs duty, he said, had been raised by 50 per cent from 25 per cent to 75 per cent. This burden would, no doubt, have an adverse impact on profitability. However, the company expects to achieve a higher growth rate in 1976 compared to the previous year, said Dr Banerjee.

Modella Woollens

Modella Woollens has received the capital goods import licence for its readymade garments unit. The unit has a capacity to produce three lakh pieces per annum.

The company has also secured the capital goods licence for the import of machiaery for its woollen textile mills machinery project. M/s Hought Duesherl Bosson are the technical collaborators for the machinery project.

News and Notes

For the current year an outlay of Rs 14.35 crores has been provided for the expansion projects of **Hindustan Copper Ltd.**, and the company hopes to start work on Malanjkhand copper project in Madhya Pradesh and Rakha Phase II very soon. The expansion envisages a production of 23,000 tonnes of copper concentrates from Malanjkhand and 20,000 tonnes from Rakha Phase II. In addition, the company will undertake the scheme for expansion of its mine capacity at Masaboni and Surda in Bihar and Chandmari in Rajasthan.

With increased production, the company will be able to bridge the gap between indigenous production and demand. Against an estimated demand of 50,000 tonnes the company hopes to produce 36,000 tonnes this year. The company's production was 23,000 tonnes last year.

Rupees 7.33 crore Endosulfan pesticide project of the **Hindustan Insecticides Ltd** with a manufacturing capacity of 1600 tonnes per annum has been approved by the government. The plant is to be located at Udyogmandal, Kerala, where the copany is already manufacturing DDT and BHC. The project is based on indigenous technology, developed by National Chemical Laboratory, Poona. Endosulfan project will be saving the country foreign exchange to t of Rs 8 crores per a

Dividend

Name of the company	Year	Dividennd decla Current year	P
Higher Dividend			
Indian Hotels	March 1975	20	
Fuel Injections	Dec. 1975	6	
Digvijay Cement	Dec. 1975	12	
Same Dividend			
Wimco	Dec. 1975	15	
Shreeniwas Cotton	Dec. 1975	5	
Lower Dividend			
Travancore Cement	Dec. 1975	Nil	
Mysore Lamp	Dec. 1975	Nil	

Delhi's Achievements after Emergency

Decline in Prices

Price rise arrested; negative rate of inflation achieved; model Public distribution set-up; people's cloth being sold through 253 coops, and 21,000 Fair Price Shops in urban and rural areas.

Home for the Homeless Land for the Landless

4136 acres of agricultural land distributed to 4538 Harijan and poor landless families. 8000 house sites distributed to poor and Harijan homeless. Rs. 18 lakhs distributed to Harijans, as housing subsidy.

Apprenticeship

3529 youngmen placed as apprentices in industries as against the target of 3500.

Public enemies on the run

2259 raids on dishonest traders. Suppressed transactions of Rs. 16 crores detected. 14,000 raids against hoarders, black-marketeers.

Relief for Students

Book banks in 853 schools, stationery at cheaper rates; hostel food costs less; 12 point programme for school improvement. Free text books to all primary students. Rs. 8 lakhs spent in providing school uniforms to the poor students.

Production Picks up

600 Industrial sheds constructed. Rs, 3.5 crores distributed as l to industries. Vegetable cultivation increased from 16.20 thous hectares in 1972 to 19.72 thousand hectares in 1976. Multiple cr ping popularised. Marginal farmers and labourers' Developm Agency helping the weakest farmers.

Beautificaton

City area has a new look. Jama Masjid complex re-developed-bea fied. Subzi Mandi shifted to Azad Pur. 200 non-conforming indust shifted to the conforming areas. 20 Resettlement colonies, w 50,000 plots having basic amenities, set up. New hopes of better life a opportunities for the poor and the weakest.

Rural Development

50 villages to benefit from integrated programme under cleanlin Prohibition and Family Planning in the first quarter of 1976– All villages to come under its ambit by the end of 1976-77.

Delhi Tops in Family Planning

Against the national average of 15.1 percent, Delhi has cove 41.3 percent couples in the procreative age-group. This percent is higher than the Fifth Plan Target of 38 percent.

We are on the Path of Radical Transformation under the Dynamic and Inspiring Leadership of Smt. Indira Gandhi. Let us Sink our Petty Differences and Work Unitedly for the Greater Glory of the Capital City of Delhi.

Issued by the Directorate of Information and Publicity
Delhi Administration : Delhi

Licences and Letters of Intent

OLLOWING licences and letters of intent were issued the Industrial (Development and Regulation) Act 1951 g the month of March 1976. The list contains the names ddresses of the licensees, articles of manufacture, types ences—New Undertakings (NU), New Articles (NA), antial Expansion (SE), Carry on Business (COB), Shift- -and annual installed capacity. Details regarding licences etters of intent revoked, cancelled or surrendered are also n.

Licences Issued

Metallurgical Industries (Ferrous)

1/s Singh Precision Castings Ltd; 127/10/1, Maniktolla in Road, Calcutta. (Kalyani—West Bengal)—Grey Iron tings—2,000 tonnes: (a) Alloy Iron Castings; (b) Heat & rrosion Resistant Castings; (c) High Silicon & Nickel rd Castings; (d) Spheroidal Graphite Castings. Total: 00 tonnes. Steel Castings—2,000 tonnes: (a) Manganese el Castings; (b) Alloy Steel Castings—2,000 tonnes NU)

M/s Sterling Steels & Wires Ltd; Shiv Murti House, Una oad, Hoshiarpur. (Hoshiarpur—Punjab)—Various types Steel Wires including Copper Coated and Stainless Steel ires and MS Wires thicker than 18 SWG (coated or other- ise)—10,000 tonnes—(NU)

M/s Bharat Forge Company Ltd; Mundhwa, Poona. Poona—Maharashtra)—Fully Machined & Rough Machined orged Flanges, Rings & Fittings—5,000 tonnes within e existing licensed capacity of 24,000 tonnes of Steel orgings—(NA)

M/s Deccan Steel & Alloys Corpn Ltd; 2-Brabourne Road, Calcutta. (Bangalore—Karnataka)—Rounds, Rods, Bars and Structurals—18,000 tonnes—(COB)

M/s Chowgule Engineering Co. Pvt. Ltd; Chowgule House, Marmugao Harbour, Goa. (Margao Ponda Road, Loutulim, Goa)—Iron & Steel Structural Fabrication—166 tonnes on the basis of maximum utilisation of Plant & Machinery —(COB)

M/s Ennore Steel Enterprises Pvt. Ltd; 25/26, Kummalammen Koil Street, Tondiarpet, Madras. (Madras—Tamilnadu) —Mild Steel Ingots; Electrode quality carbon steels: Forging quality carbon steels; Cold heading quality carbon steels: etc.—7,000 tonnes. Re-rolled products, viz. Bars, Flats, Light & Medium Structurals and Wire Rods of above qualities of steel—6,800 tonnes—(COB)

M/s The Indian Mechanisation & Allied Products Ltd; 6—Hastings Street, Calcutta-1. (Durgapur—West Bengal) —Steel Forgings—904 tonnes—(COB)

M/s Fashion Prints Ltd; Laxmi Building, 6—S. V. Marg, Bombay. (Bhandup—Maharashtra)—C. I. Castings—1,250 tonnes.—(COB)

Fuels

M/s National Oxygen Ltd; 5/1—E, Kellys Road, (Behind Kilpauk. Tel. Exchange), Madras. (Chingleput—Tamil Nadu) —Oxygen Gas—1 mill. C. Metres. D/Acetylene Gas—0.2 mill CM—(NU)

M/s Singareni Collieries Co. Ltd; Kottagudam Collieries P. O., Kammam Distt. (Khammam—Andhra Pradesh) —Coal—10 mill tonnes—(SE)

Electrical Equipment

M/s Sree Thirumalai Electronics Pvt. Ltd; R. Muthu Gounder's Colony, Harpur, Dharmapuri, Tamil Nadu, (Dharmapur, Tamil Nadu)—Metallised/Plain Plastic Film Capacitors—10 M nos—(NU)

Shri T. M. Rama Iyengar, "Nayak", 40—Chambers Road, Madras.—(Salem, Tamil Nadu)—Lamp Caps—60 mill pcs —(NU)

M/s Electronic Corpn of India Ltd; Industrial Dev. Area, Cherlapalli, Hyderabad. (Hyderabad—Andhra Pradesh)—25 MHZ Rectangular CRT's—250 nos. 50—100 MHZ Rectangular CRT's—250 nos—(NA)

M/s Jyoti Ltd; Industrial Area, P. O. Chemical Indus., Baroda. (Baroda—Gujarat)—Generators—1,53,600 KW for ranges upto 6.000 KW—(SE)

M/s Chemicoat Limited, Kalali Road, Atladra, Baroda. (Baroda—Gujarat)—Metallised Polyester Film for the manufacture of Capacitors—15 tonnes—(NA)

M/s Conway Semiconductor (India) Limited, Mini Commerce House, 2-B, Ganesh Chandra Avenue, Calcutta. (Calcutta—West Bengal)—Epoxy Circle Pin Transistor—240 lakh pcs. 20 to—92 Package Transistor—480 lakh pcs. Dual-in-line Package (Transistor—PDLP)—240 lakh pcs —(NU)

M/s Controls & Switchgear Co. (P) Ltd; 222, Okhla Industrial Estates, Phase-III, New Delhi.(Shahibabad—UP) —Motor Starters—50,000 nos. Contactors: (a) Air Break Contactors with overload Ralays upto Amps—30,000 nos (b) upto 45 Amps—10,000 nos. (c) upto 80 Amps—5,000 nos (d) 125 Amps—3000 nos Bush Buttons (Flame Proof type only)—10,000 nos Pilot Lamps (Explosion Proof tspe only)—10,000 nos. Relays (except Print & Reed Relays) Multi Contact Electro magnetic Relays both AC & DC Types switching current rating unto 20 Amps—50.000 nos Pneumatic Time Relays including programmer type Relays —25,000 nos—Rs 40 lakhs—(NU)

M/s Electra (India) Ltd; Industrial Area, Pratapur, Meerut. (Meernt—U. P.)—Transformers upto 33 KV —3,00,000 KVA pa.—(SE)

M/s Sylvania & Laxman Ltd; 68/2, Najafgarh Road, New Delhi (New Delhi)—Fluorescent Powders—60 tonnes. —(NA)

M/s Madhya Pradesh Vidut Yantra Ltd; Post Bag 300, 403, Golbazar, Jabalpur (Jabalpur—Madhya Pradesh)— Distribution Transformers upto 1600 KVA—400MVA— (SE)

M/s Jyoti Limited, P. O. Chemical Industries, Baroda. (Baroda—Gujarat)—Hydro electric Generating Sets upto 5,000 KW—12,600 KVA—(SE)

Transportation

M/s U. P. Instruments Ltd; Post Bag No. 153, Aish Bagh Road, Lucknow. (Lucknow—U. P.)—Speedometers— 1,00,000 nos.—(NA)

M/s Purolater India Ltd; Hauz Khas, P. O. Yusuf Sarai, New Delhi. (Solan, Himachal Pradesh)—Large Filter Elemenel & End Disc Filter Elements—12.90 lakh nos p a.—(Shifting)

M/s Chowgule Engg. Co. (P) Ltd; Chowgule House, Morngnao Harbour, Goa. (Margao, Ponda Road—Goa)— Accessories & Components for Sea Going Vessels upto 1000 DWT—(COB)

Industrial Machinery

M/s Lipi Boilers Pvt. Ltd; 16-Phatak Baug, Navi Path, Poona-30. (Aurangabad—Maharashtra)—Package/Modular Water Tube Boilers upto 40 tonnes per hour capacity—36 nos Boilers & Auxiliaries—Rs 100 lakh p a.—(NU)

M/s Mining & Ailled Machinery Corporation Ltd; P. O. Durgapur Burdwan. (Durgapur—West Bengal)—Goal Preparation Plant Equipment viz Belt Conveyors/Apron/Belt/Blade Feeders/Pumps/Structures/Gear Boxes/Cyclones and Sieve Bonds—Coal preperation Plant upto 1,600 TPH. Two Complete Plants in three years—(NA)

M/s New Standard Engg Co. Ltd; NSE Estate, Goregaon East, Bombay. (Bombay—Maharashtra)—Moulding Machines & Sand Slingers: Capacity will be fixed after watching the actual production for each item of manufacture for 2 years—(NA)

M/s Swastik Textile Trading Co. Pvt. Ltd; Motilal Hirabhai Market, Railwaypura Post, Ahmedabad. (Ahmedabad—Gujarat)—Polimerising Machine—8 units Felt Calender Combination—*New Articles* : 6 units Texset Felt Finishing & Shrinking Range—6 units—(SE/NA)

M/s National Machinery Manufactures Ltd; Nariman Point, Bombay- (Thana—Maharashtra)—Combers (inclusive of Lap formers)—60 nos—(NA)

M/s Turner Hoare & Co. Ltd; Gateway Building, Apollo Bunder, Bombay. (Bombay—Maharashtra)—Vibroscreens —60 nos—(NA)

Machine Tools

M/s Fine Measure Instruments Ltd; Plot No. 10-C, 115, Mowbray's Road, Madras. (Adiyar—Tamil Nadu)—Vernier Calipers—25,000 nos. Micrometere—25,000 nos etc. etc. —(NU)

M/s Bharat Radiators Pvt. Ltd; Dr. G. Deshmukh marg, Bombay-26. (Bombay—Maharashtra)—Fin Machines; Tube Machine; Core Assembly Jig; Core Squaring Fixture; End Dipping Pot; Baking Oven; Washing & Testing Tanks; Press Tools (Ten Sets p a.—(NA)

Earth Moving Machinery

M/s Precision Drilling Equipments (India) Pvt. Ltd; K-55, Connaught Circus, New Delhi. (Delhi—Shahadra, Delhi)—Rock Roller Bits—3,000 nos p a.—(NU)

Engineering Industries

M/s Accumeasures Punjab Ltd; Mohali, Distt. Rupar, Punjab. (Rupar—Punjab)—Vernier Calipers—25,000 nos. External Micrometers—35,000 nos. Micrometers with depth gauges—4,000 nos. Vernier Depth Gauges—20,000 nos. Vernier Height Gauges—2,000 nos Beval Protractors—5,000 nos. Combination-Squares—2,000 nos. Inside Micrometers —4,000 nos—(NU)

M/s Dagger Forst Tools Ltd; First Pokhran Road, Thana. (Thana—Maharashtra)—Metal Slitting Swas—20,000 Numbers—(NA)

M/s Plastics & Allied Products, 93-B, Cooperative Industrial Estate, Govind Nagar, Kanpur. (Kanpur—U. P.) —Rigid Polyurethene Foam Laminates—16.59 Lakh Sq. Metres—(NU)

M/s Sandvik Asia Ltd; Bombay-Poona-Road, Poona-12. (Poona—Maharashtra)—Tungsten Carbide Products including integral Rock Drill Steels, Bits, Detachable Bits, Extension Drill, Steel Equipment. Inserts, Tips, Dies Nibs, Studs and other applications—150 t Tools—TC Tipppd—6,50,000 pcs Sandvik Coromant Milling Cutters, Carbide Burrs, Scrapers, Wear Re parts and Twist Drills and other similar products—R lakhs Hydrogen Gas (80% captive use)—1,250,00 —(SE)

*In addition, are allowed to manufacture Tu Carbide Products with an additional capacity per of 100 (one hunered) tonnes exclusively for meetin Defence requirements.

M/s National Meulding Co. Ltd; Plastic Moulde Fabricators, 26, Upper Chitpur Rd; Calcutta-7. (Howrah—West Bengal)—Plastic Injection Moulded —183 tonnes p a.—(COB)

M/s Indian Farmers Fertilizer Cooperative Ltd; South Extension Part-I, New Delhi. (Phulpur, Allah U. P.)—Urea—4,95,003 tonnes—(NU)

Chemicals

M/s Kerala Acids & Chemicals Ltd; Mokkap P. O., Kerala. (Edayar, Alwaye—Kerala)—Formic A 1,200 tonnes. Sodium Sulphate as bye-product—1,500 t —(NU)

M/s Volrho Limited, 87-D, Rashtrapati Secunderabad. (Medak—Andhra Pradesh)—Phos Technical and its formulations—1,000 tonnes—(NU)

M/s Kalali Chemicals Pvt. Ltd; 635, Kalali Road, At Boroda. (Baroda—Gujarat)—Sodium Hydrosulphite tonnes Sulphur Dioxide (for captive consumption o 630 tonnes—(NU)

M/s South India Viscose Ltd; Race Course, Coimba (Coimbatore—Tamil Nadu)—Polynosic Type of S Fibre—7,000 tonnes—(SE)

M/s Dhrangadhra Chemical Works Ltd: (Nirmal) Floor, 241, Backbay Reclamation, Nariman Bombay. (Dhrangadhra, Zalawad, Gujarat)—Soda A 65,000 tonnes—(SE)

M/s The Western India Plywood Ltd; Mill P. O. Baliapatam, Cannanore, Kerala. (Kerala)—D Phthalate Resins—600 tonnes—(NA)

M/s Wood Polymer Ltd; Mahatma Gadnhi Bilimora. (Bilimora—Gujarat)—Plastic Laminates (De tive & Industrial)—980 tonnes—(COB)

Drugs and Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, S Extension, Part-I, Ring Road, New Delhi. (Hyderab Andhra Pradesh)—Chloropropamide—15 to Metronidazole—30 tonnes. Phthalyl Sulphathiazole- tonnes—(NA)

M/s Ranbaxy Laboratories (P) Ltd; Okhla, New D (Delhi)—Formulations based on:—Erythromycin Co ponding to the basic Drug Content of—1,500 Lincomycin Corresponding to the basic drug constant 1,000 Kgs.—(NA)

M/s Synthetic Drugs Plant, Indian Drugs & Pharm ticals Ltd; N-12, South Extension-I, New Delhi. (Hyderab Andhra Pradesh)—Sulphadimidine & its Salts—1000 to Sulphacetamide & its Salts.—80 tonnes Sulphamethizo 12 tonnes. Barbiturates (Phenobarbitone & Sodium Phen Bitone)—30 tonnes. Phenacetin—400 tonnes. Analgin- tonnes. Piperazine & its Salts—115 tonnes. Vitamin B

Derivatives—120 tonnes. Folic Acid—7.5 tonnes. um PAS—400 tonnes. Vitamin B 2 & Ribo Flavine 5 phate Sodium—24 tonnes—(SE)

/s Ranbaxy Laboratories Ltd; Okhla, New Delhi. par—Punjab)—Ampicillin Trihydrate based on 6 APA—5 es—(NA)

/s Hoechst Pharmaceuticals Ltd; Dugal House, Backbay lamation, Bombay. (Mulund, Bombay—Maharashtra)—benclamide—200 Kgs. Piperidine Ethyl Chlorine Hcl.—1 nes—(NA)

Textiles

M/s Vikas Corporation, 25, Kolsa Street, Trustee Build-, 1st Floor, Pydhonie, Bombay. (Tarapur-Maharashtra)—nthetic Yarn, Knitted Fabrics—4 Warp Knitting Mac-s corresponding to a total consumption of 80 tonnes of prolactum or 40 tonnes of DMT.—(NAN)

M/s Palani Andavar Spinners, 119, C.K. Road, damalpet, Coimbatore. (Coimbatore-Tamil Nadu)—otton Yarn—6,000 spindles & 4 looms (in the range of and 20s single as well as folded) suitable for bicycle tyre ord, canvas, indstrial belts, tryre cord and fabric—(NH)

M/s The Coimbatore Pioneer Mills Ltd; Peelamedu, Coimbatore. (Coimbatore—Tamil Nadu)—Yarn & Fabric rocessing.—30 million squaremetres—(NA)

M/s The Podar Mills Ltd; Podar Chambers, S.A. Brelvi Road, Bombay. (Bombay—Maharashtra)—Processing of Cotton & Synthetic Fabrics—144.86 million metres—(SE)

M/s Gravatex Ltd; Niranjin, 99-Marine Drive, Bombay. (Bombay-Maharashtra)—Processing of Textiles—1,04,20,592 metres. Printing of Textiles—8,40,394 metres. Garments (Printing)—45,445 metres and Lamination—61,865 metres—(COB)

M/s Garware Fabrics Ltd; Chander Mukhi, Nariman Point, Bombay. (Pune, Maharashtra)—Artsilk Fabrics—50 powerlooms—(NU)

M/s M.J. Woollens Pvt. Ltd. 81/92, GIDC Industrial Estate, Kalol, Panchmahal. (Panchmahal, Gujarat)—Shoddy Yarn (other than worsted & Woollen)—880 shoddy spindles. Shoddy Woollen Blankets—12 woollen powerlooms—(NU)

M/s Mehra Silk Mills Ltd; Banktesh Bhuvan, Mirza Street, Bombay. (Bilimora—Gujarat)—Artsilk Fabrics—50 powerlooms—(COB)

M/s Radha Silk Mills (P) Ltd: 5-Badrikeshwar, 82, Marine Drive, Bombay. (Bombay—Maharashtra)—Artsilk Fabrics—100 powerlooms—(COB)

Paper and Pulp

M/s Papyrus Papers Ltd; 4-India Exchange Place, Calcutta—(Nadia—West Bengal)—Wrapping & Packing Paper—6,000 tonnes—(NU)

M/s Bhadrachalam Paper Boards Ltd; Sarojini Devi Road, Secunderabad. (Khamman—Andhra Pradesh)—Pulp—50,000 tonnes. Paper Board—30,000 tonnes. Writing & Printing Paper.—20,000 tonnes—(NU)

M/s Industrial Oxygen Co. Pvt. Ltd; A-6-A-41, Connaught Place, New Delhi. (Kota—Rajasthan)—Writing & Printing Paper—9,000 tonnes—(NU)

Food Processing Industries

M/s Aurofood Pvt. Ltd; P.O. Auroville, Pondicherry. (South Arcot—Tamilnadu)—Infant Milk Food—2,500 tonnes. Malted Milk Food—1,500 tonnes—(NA)

M/s Punjab Dairy Development Corporation Ltd; Showroom No. 14-A, Madhya Marg, Sector-7C, Chandigarh. (Bhatinda—Punjab)—Skimmed Milk Powder—1,642 tonnes—(SE)

M/s Haryana Dairy Development Corporation Ltd; S.C.O. Nos. 6 & 7, Sector-17B, Chandigarh. (Rohtak—Haryana)—Skim Milk Powder—100 tonnes. Whole Milk Powder—500 tonnes—(NU)

M/s Punjab Dairy Development Corpn. Ltd; Madhya Marg, Sector-7C, Chandigarh. (Ludhiana—Punjab)—Skimmed Milk Powder—1,642 tonnes.—(SE)

M/s Chandrapur Roller Flour Mills, C/o Shri Inder Mohn Sharma, Ved Bhavan, Bagadganj, Nagpur—(Chandrapur—Maharashtra)—Maize Products—30,000 tonnes—(NU)

M/s Dempo Dairy Industries Limited, Dempo House, Campal, Panaji. (Bijapur—Karnataka)—Whole Milk Powder—850 tonnes. Infant Food—450 tonnes. Skimmed Milk Powder—600 tonnes. Weaning Food—180 tonnes—(NU)

M/s Manipur Janata Flour Mills, Singjamei, Chinga Methak, Imphal. (Imphal West—Manipur)—Atta, Maida & Suji)—36,000 tonnes—(NU)

Sh. N.Y. Shilla, Panaliar, P.O. Jowai, Jaintia Hills, Meghalaya. (Khasi Hills—Meghalaya)—Wheat Products. (Maida, Rawa, Suji, Atta and Bran)—18,000 tonnes—(NU)

Rubber Goods

M/s J.K. Industries Ltd; 7-Council House Street, Calcutta. (Udaipur—Rajasthan)—Camel Back, Vulcanising Solution Tyre & Tube repairing materials—3,000 tonnes—(NA)

Leather & Leather Goods

M/s T. Abdul Wahid Tanneries Pvt. Ltd; 19, Vepery High Road, Periamet Madras. (North Arcot—Tamil Nadu)—Finished Leather—30,00,000 Prieces p.a—(NU)

M/s Alam Tannery, P-17, New C.I.T. Road, Calcutta. (Calcutta—West Bengal)—Wet Blue Chrome Tanned Goat Skins—4,50 lakh nos. Wet Blue Chrome Tanned Cow Hides—40,000 nos. Finished Leather from Goat Skins—2 lakh nos. Finished Leather from Cow/Buff Hides—0.15 lakh nos.—(COB)

Letters of Intent

Metallurgical Industries (Ferrous)

Dr. R.V. Tamhankar, Chairman & Mg. Dir; Mishra Dhatu Nigam Ltd; Hyderabad. [Hyderabad (E)—A-Pradesh]—Nickel & Cobalt base Super-Alloys—200 tonnes. High Strength & High Temperature Iron base Alloys—515 tonnes. Nickel & Nickel Alloys—100 tonnes. Controlled Expansion Alloys—210 tonnes. Thermocouple Alloys—10 tonnes. Heating Element & Resistance Alloys—200 tonnes. Bimetals—50 tonnes Soft Magnetic Alloys—204 tonnes. High Purity Iron—1000 tonnes. Special Permanent Magnet Alloys—50 tonnes. Tungsten & Molybdenum Products—10 tonnes. Titanium & Titanium Alloys—200 tonnes. Total: 2,749 tonnes. Additional Products: Cores & Laminations—10 tonnes. Welded Tubes (I.D—6 to mm)—20 tonnes—(NU)

Shri K.L. Sharma, 501, Seva Sadan, Central Avenue, Nagpur. (Dhanda—Maharashtra)—High Tensile Machine

Screws; Socket Head Cap Screws, Hex. Head Bolts, Self Tapping Screws and Counter Sink Screws—1,000 tonnes —(NU)

M/s Kirloskar Oil Engines Ltd; Laxmanrao Kirloskar Road, Kirkee—Poona. (Ratnagiri—Maharashtra)—Pig Iron (for captive use only)—60,000 tonnes. Grey & Alloy Iron Castings (for Automotive use)—60,000 tonnes—(NU)

M/s Kangsabati Steel Plant Ltd; 21-A, Shakespeare Sarani, Calcutta-17. (Burdwan—West Bengal)—Structurals, Bars & Sections—14,400 tonnes. M.S. Ingots—11,000 tonnes—(NU)

M/s Hein Lehmann (India) Ltd; 14/7, Mathura Road, Faridabad. (Faridabad—Haryana)—Stainless Steel Wires in the range of 28 SWG and thinner—150 tonnes—(NA)

Electrical Equipment

M/s Global Cables Pvt. Ltd; B-9/1, MIDC Industial Area, Taloja, Kolaba. (Kandla—Gujarat)—PVC insulated copper aluminium conductored power and control cables—2232 K.M—(NU)

M/s Devidayal Electronics & Wires Ltd; Gupta Mills Estate, Reay Road, Bombay. (Bangalore—Karnataka)—Cassette/Cartridge Drives—100 Numbers Alpha—Numeric Display Terminals—100 nos—(NA)

Shri Anand Mohan Agarwala, "Sheel Niwas", 1062, Dharampeth Extn., Nagpur. (Maharashtra)—Date Entry/Systems—50 nos. Cassette/Catridge Drives—100 nos—(NU)

M/s Ramsay Electronics Pvt. Ltd; 11-27, Instronics Campus, Madras. (Hosur, Dharmapuri, Tamilnadu)—Carbon Film Resistors—50 mill. nos. Metal Film/Metal-Oxide Film Resistors—10 mill nos. Carbon Brack Potentiometers—1. mill. nos. Cerment Potentiometers—0.5 mill. nos —(NU)

M/s Kerala State Electronics Development Corpn. Ltd; Keltron House, Vellayambalam, Trivandrum. (Kerala)—I/O Writer—100 nos. Floppy Disc Drives—50 nos. Cassette/Cartridge Drives—100 nos. Magnetic Card Reader—300 nos. Alpha-Numeric Display—Terminals—100 nos.

Transportation

M/s Rasik Brass Industries, Bipin Kunj, Behind Parsi, Agiary, Near Town Hall, Jamnagar. (Kandla—Gujarat)—Brass Bicylce Tube Valves & all kinds of brass parts.—60 lakh nos.—(NU)

Industrial Machinery

M/s Vijay Tanks & Vessels Pvt. Ltd; 93, L.B. Shastri Marg, Mulund (W), Bombay. (Bombay,—Maharashtra)—Hatch Covers for Ships—20 Sets—(NA)

M/s T. Maneklal Manufacturing Co. Ltd; Vaswani Mansions, Dinshaw Vachha Road, Bombay. (Vatva, Ahmedabad,—Gujarat)—Rotary Screen Printing Plant consisting of :—(a) Rotary Screen Printing Machines; (b) Sample Printer; (c) Screen Washing Arrangement; (d) Colour Pipe Washing Arrangement; (e) Colour Kitchen Equipments & Accessories : 3 nos. Long Table Printing Equipment—3 nos. Flat Screen Printing Machine—4 nos. Rotary Screen Manufacturing Equipment both for Galvanc and Lacquer Screen—3 nos—(NA)

M/s K.C. Khosla & Co. Pvt. Ltd; 1-Deshbandhu Gupta Road, New Delhi. (Ballabgarh—Haryana)—Screw type Air Compressors—450 nos—(NA)

M/s Voltas Limited, 19, Graham Road, Ballard Bombay-1. (Thana—Maharashtra)—Water Pollutiou Equipment & Systems—Rs 10 crores—(NA)

Engineering Industries

Shri P.K. Baliga, c/o M/s B.I.M. Services (P) Ltd; Floor, Syndicate Bank Building, Gandhinagar, Ban (Bangalore—Karnataka)—Cloth/Paper & Polyet Metal/Barrier Heat Saleable Laminates—4.3. Mill. —(NU).

Industrial Instruments

M/s Best & Crompton Engg. Ltd; 13/15, North Road, Madras. (Madras—Tamil Nadu)—On/Off Type 'A' Rotark Valve Actuators—1,600 nos—(NA).

Dr. H.N. Nanjundia, "SUMANA", 19 Mahant La Bangalore. (Bangalore—Karnataka) — Watch Jew 60,000,00 nos. (Sixty Lakhs)—(NU).

Chemicals

M/s Kandla Formed Mica Pvt. Ltd; 6-Bharat House Apollo Street, Bombay. (Kandla—Gujarat)—Mica P of very fine Mesh by wet process for specific require during the first stage and Micanite production subsequen 2,500 M.T.—(NU).

M/s Bengal Chemical & Pharmaceutical Works Ltd; Maniktala Main Road, Calcutta. (24-Parganas, West Be —Basic Chrome Salt (with the help of sodium Bichroma be produced in your own factory)—2,310 MT—(SE).

M/s Coromandel Fertilizers Ltd; 126, Sarojini Devi Secunderabad. (Visakhapatnam—Andhra Pradesh)— minium Fluoride—3,450 tonnes—(NA).

M/s Garware Synthetic Bristle Pvt. Ltd; 135, Dr. Besant Road, Worli, Bombay. (Greater Bombay—Ma shtra)—Polyester Monofilament (Bristles)—180 to Polypropylene Monofilament (Bristles)—180 tonnes—(N

M/s Modi Spinning & Weaving Mills Co. Ltd; Nagar, U.P. (Bhatinda—Punjab)—Stable Bleaching Po —6,000 tonnes. Calcium Hyprochlorite—6,600 ton (NA).

M/s Bongaigaon Refinery & Petrochemicals Ltd; Bongaigaon, Goalpara. (Goalpara—Assam) — Poly Staple Fibre—20,000 tonnes. Methanol as Bye-Prod 7,000 tonnes—(UN).

Shri J. Bhusan, M/s Indo-US International Ltd; Lavista Villa, Hillandale Road, Green Ville, S.C. 2 (803) 235-3357 USA. (Maharashtra)—Suit Cases (ABS Polypropylene)—1,95,000 pieces—(NU).

M/s Jain Brothers, Jain Bhavan, Hauz Qazi, D (Sikandrabad—U.P.)—Linter Pulp—2,000 tonnes. Cupr nium Yarn—2,000 tonnes. Ammonium Sulphate— tonnes—(NU).

Shri H.L. Poorswani, Mg. Dir., M/s United Oxygen pany (P) Ltd; 52, Meera Society, 39, Shankarseth R Poona. (Bangalore—Karnataka)—Oxygen—1 MCM Acetylene—0.20 MCM. Nitrogen—0.30 MCM—(SE).

M/s Synthetics & Chemicals Ltd; 7-Jamshedji Tata Bombay-2. (Bareilly—U.P.)—Acetone—6,000 M. Tonn (NA).

M/s Fertiliser Corpn. of India Ltd; (Sindri Unit), South Extension Area, Part-I, New Delhi. (Dhanbad—B —Sodium Eexameta Phosphate—900 tonnes—(NA).

Drugs & Pharmaceuticals

/s Smith, Stanistreet & Co. Ltd; Authorised Controller, Indian Drugs & Pharmaceuticals Ltd; N-12, South Extn. I, New Delhi. (Calcutta—West Bengal) *Capsules*:—Oxy- cycline I.P. 250 mg. 10.00 million nos—Tetracycline I.P. mg. 3.00 million nos—Chloramphenicol I.P. 250 mg. million nos—Chloramphenicol I.P. 125 mg. 4.00 million —Ampicillin N.F. I-II 250 mg. 4.00 million nos—Doxy- ine B.P. 100 mg. 4.00 million nos—Cloxacillin B.P. 250 5.00 million nos—Streptomycine with Chloramphenicol mg. each 6.00 million nos. *Tablets* : Tetracycline 500 1.00 million mos—Lactoflora (Lactabacillus—100 million res). 50.00 million nos—Polyvitamin, Therapeutic N.F. I 30,00 million nos—Vitamin B. Complex with Vitamin and Folic Acid Therapeutic N.F. I-II. 30.00 million nos algin USSR 50.00 million nos—Erythromycin Stearate SP 250 mg. 5.00 million nos—Telbutamide Tablets I.P. 500 g 7.00 million nos—Griseofulvin USP. 125 mg. 7.00 million s. *Oral Suspensions* : Tetracycline Suspension 125 mg. per ml. litres 10,000 litres. Tetracycline Drops 100 mg. per l.—5 ml. litres. 1,000 litres. Chloramphenicol Ester Syrup 0 mg. per 5 ml. litres. 5,000 litres. *Injectables* : Erythrolate M . 50 mg. per ml. (Erythromycin) Propionate Intra- uscular 2 ml. Ampules. 1.20 millions. Analgin Intra- nuscular 2 ml. Ampules 3 millions. Analgin Intra- nuscular 30 ml. Vials 1 millions nos. Oxytetraeycline Intra- nuscular 50 mg. per ml.—2 ml. Ampules 2 millions nos. Oxytetracycline Intra-muscular 50 mg. per ml.—10 ml. Vial 1 million nos. *Ointments & Creams* : Oxytetracycline. Ophthalmic Ointment 10 mgs. per Gm. 3.5 gm. Tube. 10,000 Kgs. Nitrofurazone Ointment 0.2% 40,000 Kgs.—(NA)

M/s Unichem Laboratories Ltd; Prabhat Estate, S.V. Road, Jogeshwari (West), Bombay. (Ghaziabad—UP)—Various Ointments & Tube Containing—Iodochlorohydroxyquinoline; Iodochlorohydroxyquinoline with Triamcinolone Acetonide; Neomycin Triamcinolone; The capacities of the above ointments tubes in terms of Bulk Drugs required will be as under: Triamcinolone Acetonide —7.56 Kgs. p.a. Neomycin Sulphate—20.7 Kgs. p.a. Iodo-Chloro-Hydroxy-Quinoline—230 Kgs. p.a.—(NA).

M/s Raptakos Brett & Co. Ltd, 47, Dr. Annie Besant Road, Worli, Bombay. (Thana—Maharashtra)—Nitrofurantoin (Christalline)— 2 tonnes. Metronidazole —2 tonnes. Phenyl Butazone—10 tonnes.—(NA)

Textiles

M/s Mysore State Industrial Investment and Development Corporation Ltd; 36, Cunningham Road, Bangalore. (Mysore—Karnataka)—Worsted Yarn—2,000 Worsted spindles—(NU).

M/s Garish Woollen Mills, A-49, Friends Colony, New Delhi. (Sikandrabad. Bulandshahr,—Uttar Pradesh)—Shoddy Yarn—600 Shoddy Spindles—(NU).

Paper and Pulp

M/s Punjab State Industrial Corporation Ltd; S.C.O., 54, 55 & 56, Sector-17A, P. Box No. 81, Chandigarh. (Hoshiarpur—Punjab)—M.F. & M.G. Varieties of Papers. i.e. Printing, Writing,, Packing & Wrapping Papers—9,000 tonnes—(NU).

Shri N. K. Dabriwala, A-1/134, Safdarjung Enclave, New Delhi. (Karnal—Haryana)—Unbleached Paper—9,000 tonnes —(NU).

M/s Southern Steel Limited, Moula Ali, Hyderabad. (Mysore—Karnataka)—Duplex Board & Wrapping Paper —9,000 tonnes—(NU).

M/s Nuchem Plastics Ltd; Project Division, 903, Akashdeep Buildings, Barakhamba Road, New Delhi. (Bilaspur—Madhya Pradesh)—Sulphite Pulp 5250 tonnes—(NU).

Food Processing Industries

M/s Poona District Cooperative Milk Producers' Federation Limited, 1885, Sadashivpeth, Poona. (Poona—Maharashtra) —Whole Milk Powder, Skim Milk Powder—1,000 tonnes. —(NU).

M/s Sundatta Foods & Fibres Ltd; Karwar Road, Hubli. (Chitradurga—Karnataka)—Maize Rawa/Sooji—18,000 tonnes. Maize Flour—4,500 tonnes. Maize Germ—1,800 tonnes. Offals—3,300 tonnes. Bran—2,400 tonnes—(NA)

M/s Punjab State Cooperative Supply & Marketing Federation Ltd; P.B. 67, Sector 17-E, Chandigarh. (Jullundur—Punjab)—Maize Starch—5,400 tonnes. Dextrine—900 tonnes. Dextrose—3,000 tonnes. Cattlefeed Bran—3,030 tonnes. Steep Liquor—975 tonnes. Germ Oil—420 tonnes —(NU).

M/s Anant Starch Products Ltd; 473, Sakhar Peth, Sholapur-2. (Sholapur—Maharashtra)—Maize Starch —9,000 tonnes. Germs—1,200 tonnes, Steep Water —975 tonnes. Gluton/Fibres—2,325 tonnes—(NU).

M/s Maize Products, Prop: Sayaji Mills Ltd; P.O. Kathwada-Maize Products, Ahmedabad. (Ahmedabad—Gujarat —Anhydrous Dextrose—2,000 tonnes—(SE)

Rubber Goods

M/s Premier Tyres Ltd; Merchant Chamber, 41-Sir Vithaldas Thackersey Marg, Bombay. (Alwaye, Ernakulam Kerala)—Steel Cord Belting—660 tonnes (20,000 Metres). Textile Reinforced Belting—1,000 tonnes (1,20,000 Metres) —(NA)

M/s Premier Tyres Ltd; Merchant Chamber, 41-Sir Vithaldas Thackersey Marg, Bombay. (Alwaye, Ernakulam—Kerala)—Fan & V-Belts—5 lakhs nos.—(NA).

Cement & Gypsum Products

M/s The Associated Cement Companies Limited, "Cement House", 121, Maharshi Karve Road, Bombay. (Bilaspur—Himachal Pradesh)—Portland Cement—4 lakh tonnes. —(NU)

Shri I.K. Kejriwal, 12/1, Alipore Park Road, Calcutta-27. (Bihar)—Asbesto Cement Compressed Sheets—18,000 tonnes—(NU)

Shri Vinod Kumar Jain, 25, Friends Colony (W), New Delhi—(Jagadhri, Haryana)—Portland Cement—30,000 tonnes—(NU)

Dr. R.N. Jain, 14-Alipore Road, Delhi. (Dehradun, U.P.) —Portland Cement—30,000 tonnes—(NU).

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Lal Woollen & Silk Mills, Amritsar to M/s Lal Woollen & Silk Mills Pvt. Ltd., Amritsar.

Licences Revoked, Surrendered, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s The Meghalaya Industrial Development Corpn. Ltd, Shillong—Wheat Products. (Cancelled)

M/s Sitaram Textiles Ltd; Trichur, (Kerala)—48-Autolooms. (Cancelled)

M/s DELCO Electronics Ltd; 29, Netaji Subhash Road, New Delhi—Tape Recorders. (Revoked)

M/s. Power Tools & Appliances Co. Ltd: 165, Kasba Road, Calcutta—Milling Machines (Revoked).

Letters of Intent Rejected, Cancelled or Lapsed

(Information pertains to particular letters of intent only)

Shri Balbir Sing, M/s Saradent (P) Ltd; 189, Golf Links, New Delhi—Dental Burs. Dental Components & Equipment. (Cancelled)

Shri P.N. Annamalai, B-10, Fairlands, Salem—Furfural. (Lapsed)

M/s Haldyn Glass Works Pvt. Ltd; Off: Western Express Highway, Bombay—Glass Containers. (Lapsed)

M/s Miniature Bulb Indus. (India) Pvt. Ltd; Dehra Dun—Halogen Lamps. (Lapsed)

Shri R. N. Seth, Old Employment Exchange, Gurgaon, Haryana—Industrial Gases. (Lapsed)

M/s Juggilal Kamlapat Jute Mills Co. Ltd; Kamla Tower, Kanpur—Portland Pozzolana Cement. (Cancelled)

M/s Haldyn Glass Works Pvt. Ltd; Off: Western Express Highway, Bombay—Glass Containers. (Lapsed)

Shri Y.N. Ganeriwal, 33, Netaji Subhas Rd; Calcutta—Synthetic Rubber Cots & Approns. (Lapsed)

Shri B.K. Burman, 6-Tinjala Road, Calcutta-45—Industrial Fasteners. (Cancelled)

M/s Purulia Refractories, 18, R.N. Mukherjee Road, Calcutta—Fireclay & Silico Refractories. (Lapsed)

Shri K. Ramourti, 22 Kamrudin Industrial Estate, Bombay—H.T. Fasteners. (Cancelled)

Shri H.M. Dhawan, 45/54, Gaya Prasad Street, Kanpur—Gaskets. (Closed)

M/s. Baroda Rayon Corpn. Ltd; Great Western Building, 1st Floor, Apollo Street, Fort, Bombay—Pilfer Proof Caps. (Lapsed)

M/s Auber Bearing Mfg. Co. Pvt. Ltd; Hingna Road, Nagpur—Ball, Cylindrical, etc. Bearings. (Cancelled)

M/s A.B.C. Bearings Corporation, A-189, Defence Colony, New Delhi—Ball Bearings. (Cancelled)

M/s Bharat Commerce & Industries Ltd; Surya Kiran, New Delhi—Not indicated. (Cancelled)

Shri K.C. Shah, M/s Pankaj Trade Enterprises Pvt. Ltd; 507, Kakad Chambers, Bombay-18—Glass Bottles. (Lapsed)

M/s Jain Tube Co. Ltd; D-20 Cannaught Place, New Delhi—Hot Rolled Skelp. (Cancelled)

The Secretary, Cement Corpn. of India Ltd; Herald House, New Delhi—Cement Plant. (Lapsed)

M/s Nippon Electronics (India) Pvt. Ltd.; Bangalore—Plastic Film Capacitors. (Cancelled)

M/s Nippon Electronics (India) Pvt. Ltd; Bull T Road, Bangalore—Miniature Electrolytic Capa (Cancelled)

Shri Purushottam Dalmia, N-15. South Extn. Pa New Delhi—Industrial Fasteners. (Lapsed)

Kanwar Bhrtendar Singh Sidhu, C-39, Defence Co New Delhi—H.T. Fasteners. (Lapsed)

M/s Allied Steels Limited, I.A. Alipur Avenue, Cal —Industrial Gases. (Lapsed)

Mrs. S. Chopra, B-9, Greater Kailash, New Delhi— Phosphorous. (Cancelled)

Shri H D Patel, 7-A, Atul Park Near Naranpura, Rasta, Ahmedabad—Rubber Conveyor Belting, Fan V-Belts—(Lapsed)

M/s Mewat Metal Powder (India) Pvt. Ltd; H Chambers, Bombay-3—Soyabean Oil & Soyabean Me Soyalecithin. (Lapsed)

Shri Vidya Sagar, E-15, Bali Nagar, New Delhi—F Hand Tools. (Lapsed)

M/s Steel Complex Ltd; WISCO Minor Feroke, Ker Oxygen Gas. (Lapsed)

M/s DELCO Electronics Ltd; 29, Netaji Subhas R Delhi—Micro Motors. (Cancelled)

M/s Cosmosteels (P) Ltd; Thompson House, New De Safety Razor Blades. (Cancelled)

Shri M.M. Chopra, B-258, Greater Kailash-I, New —Hard Metal Products. (Cancelled)

Col. A.S. Anand, GGG/USA/1, 51-Rock Ridge D Port Chester, New York-10573—Oxygen Gas. (Lapsed)

Shri A.K. Jain, C-1/32, Safdarjung, Development New Delhi—Magnetic Heads, etc. (Lapsed)

M/s Kanoria Precision Screws, Nagpur—Indus Fasteners. (Cancelled)

M/s Electrical Manufacturing Company Ltd; 136, Je Road, Calcutta—Extrusion Presses. (Cancelled)

M/s Hindustan Development Corporation Ltd; H Family Building, Calcutta—Electrolytic Mannese Dio (Cancelled)

Shri C.J. George, Cheruthazhoor, Ernakular, Ker Industrial Gases. (Lapsed)

M/s Rolta Oxygen, C/o Rolta Industries (P) Ltd; Indo Oxygen Gas. (Lapsed)

M/s East Asia Skin Corporation, C-1/23, Safdar Development Area, New Delhi—Finished Leather. (La

M/s Raghubans Bahadur & Co., 8-Jumna Road, Del Forged Hand Tools. (Cancelled)

M/s Rajasthan Vanaspati Products Ltd; Bhilwa Cottonseed Oil (Lapsed)

Shri Kapoor Chand Singhal, Bee-Narian Gate, Bhara —Oxygen. (Lapsed)

M/s Fertilizers & Chemicals Travancore Ltd; Ud mandal, Ernakulam—Caustic Soda. (Lapsed)

M/s Hindustan Organic Chemicals Ltd; P.O. Rasay Kolaba, Maharashtra—Caustic Soda. (Cancelled)

M/s Gujarat Oxygen & Acetylene Co., Vadva, Tal Bhatnagar—Oxygen Gas. (Lapsed)

Shri D.K. Jain, C/o Himalika Pvt. Ltd; Kotla Muba pur, New Delhi—Silicones. (Cancelled)

ECORDS AND STATISTICS

cise duty lief

GOVERNMENT of India ounced on June 17, 1976 cheme for grant of relief respect of selected comdities to the extent of 25 cent of duty payable on ods produced in excess of oduction in a selected base ar.

The proposal to introce the scheme to encourge higher production was ade by the Finance minisr while presenting the budt for the current year to arliament.

The scheme as finalised ow in the context of excise eliefs already announced nderlines government's allut efforts to boost prouction in farms and factoes.

The scheme will come into orce on July 1, 1976 enable the manufacturers file declarations and the epartment to check and erify the particulars and etermine the clearances in he base year. However, learances made up to that ate during the current inancial year shall be taken nto account for calculating xcess clearances.

The following are some of the important features of the scheme:

The scheme covers a large number of items including ferrous and non-ferrous metals, a number of chemicals, certain varieties of plastics, commercial vehicles, tractors, tyres, tubes, coffee, tea, fertilisers, cement, electric batteries, electric fans etc. A list of all the items included in the scheme is given below.

The scheme visualises grant of relief to the extent of 25 per cent of duty otherwise payable on that part of the specified goods which are cleared in excess of the base clearances.

The base clearances will be:

(a) Zero in respect of factories from which specified goods are cleared for the first time on or after the first day of April, 1976;

(b) One third of the aggregate of clearances of specified goods during financial years 1973–74, 1974–75 and 1975–76 in respect of factories from which such goods are cleared for the first time on or after the first day of April, 1973 but not later than March 31, 1976;

(c) The aggregate of the clearances of specified goods in the year in which clearances of such goods during any of the financial year 1973–74, 1974–75 and 1975–76 were the highest, in respect of factories from which such goods were cleared for the first time earlier than the first day of April, 1973.

For the purpose of the above calculation only duty paid clearances for home consumption, clearances for use in the production or manufacture of other goods and all clearances for export will be taken into account.

The scope of the scheme has been widened to cover new units. In respect of the units which come into existence after April 1, 1976, the whole clearances of the specified goods shall be entitled for exemption from duty under this scheme.

In most of the cases the clearances shall be determined in physical terms viz. by weight, number or volume. In a few cases where clearances are to be determined in terms of value, attempt has been made to neutralise the effect of price escalation to the extent possible.

The scheme also contains provision to take necessary measures in the event of abuse of the scheme by unscrupulous licensees.

The scheme shall not be applicable to the manufacturers working under the simplified precedure under Chapter VII B of the Central Excise Rules, 1944. In their cases there is already a provision that no additional duty liability will accrue even if the assessee's production exceeds the past performance up to 50 per cent.

The scheme shall remain in force upto March, 31, 1979.

Extension of the scheme to the textile group of industries and paper is under active consideration and a further announcement in this regard will be made.

Government hopes that as a result of this scheme, production in vital sectors of the industry will go up which in turn should stimulate overall production of essential items in the country.

JAY SHREE TEA & INDUSTRIES LIMITED

Notice to the Shareholders

NOTICE is hereby given that the 30th Annual General Meeting of the shareholders of the company will be held on Tuesday, the 31st August, 1976 at 3 P.M. at Birla Building, 9/1 R N Mukherjee Road, Calcutta 700 001 and its agenda has been/will be circulated to all members of the company in time.

The Equity Share Transfer Registers (Registers of Members) will remain closed from 10.8.1976 to 31.8.1976 both days inclusive for the purpose of payment of dividends.

By Order of the Board
for JAY SHREE TEA &
INDUSTRIES LIMITED
B. C. BIYANI
President

Registered Office :
'Industry House'
10 Camac Street
Calcutta 700 017

Dated, the 31st May, 1976

List of Items Included in the Scheme of Excise Duty Relief to Encourage Higher Production

S.No.	Item number of the First Schedule to the Central Excises and Salt Act, 1944	Description of goods	Unit for calcul
1.	2	Coffee	Weight
2.	3	Tea	Weight
3.	14A	Soda Ash	Weight
4.	14AA(1)	Calcium carbide, bleaching paste and bleaching powder, sodium hydrosulphite, bicarbonate of soda, bichromates of potassium or sodium, hydrogen peroxide and potassium permanganate	Weight
5.	14AA(2)	Caprolactum	Weight
6.	14B	Caustic soda and caustic potash	Weight
7.	14BB	Sodium silicate	Weight
8.	14C	Glycerine	Weight
9.	14DD	Synthetic organic products	Weight
10.	14C	Sulphuric acid	Weight
11.	14H(i)	Oxygen	Volume
12.	14H(ii), (iii), (iv) and (v)	Chlorine, ammonia, carbonic acid (carbon dioxide), refrigerant gases not otherwise specified such as sulphur dioxide and freen	Weight
13.	14HH	Fertilisers	Weight
14.	15A(1)	Artificial or synthetic resins and plastic materials	Weight
15.	15A(3)	Polyurethane foam	Weight
16.	15AA	Organic surface-active agents (other than soap); Surface-active preparations and washing preparations	Weight
17.	15B	Cellophane	Weight
18.	16(1) & (3)	Tyres excluding tubes and flaps	Value
19.	16(1) & (3)	Tubes	Value
20.	16A(4)	Transmission, conveyor or elevator belts or belting, of vulcanised rubber	Value
21.	23	Cement	Weight
22.	23C	Asbestos-cement products	Weight
23.	26A(1)	Copper and copper alloys in any crude form produced wholly out of virgin metal	Weight
24.	26AA	Iron or steel products	Weight
25.	26B(1)	Zinc unwrought produced wholly out of virgin metal	Weight
26.	27(a) (i)	Aluminium in any crude form produced wholly out of virgin metal	Weight
27.	28	Tin plate and tinned sheets	Weight
28.	30 (1), (2) and (3)	Electric motors, all sorts (excluding parts)	Value
29.	30A	Power driven pumps	Value
30.	30B	Motor starters	Number
31.	31(1) & (2)	Electric batteries (excluding parts)	Number
32.	33	Electric fans, all sorts	Number
33.	34(1)	Scooters	Number
34.	34(3a)	Tractors including agricultural tractors	Number
35.	34(4)	Motor vehicles, not otherwise specified	Number
36.	40	Rolling bearings	Value
37.	50	Welding electrodes, all sorts	Value
38.	51	Coated abrasives and grinding wheels	Value
39.	51A	Cutting tools	Value
40.	62	Tool tips	Value
41.	63	Wire ropes	Weight
42.	64	Carbon black	Weight
43.	65	Rubber processing chemicals	Weight

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